The Management Review

APRIL, 1954

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AMERICAN MANAGEMENT ASSOCIATION

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The Management Review

A Partial List of Contents

General Management

THE UNCHANGING TIDE

ONE OF AMERICA'S most precious natural resources—our native supply of plain, old-fashioned common sense—seems to have been disappearing rapidly in the past few months.

Recently the outstanding economists of this country met in Washington to survey the state of the nation's prosperity. After studying every available index of business activity, they concluded that the current year will not be the best in our history. It may only be the second or third best.

Now, the prospect of struggling through a year that is only the second or third most prosperous we have ever known is not exactly what I would regard as a fate worse than death. Yet if we were to believe even one-half of the alarmist talk that we see quoted in the press, we could only conclude that we are sliding into a terrible depression—that American's Golden Age is past, and that our only chance of salvation is to board the first train for Washington and beg the government to run our businesses for us.

Actually, most of this depression talk that we hear is inspired more by the politics of our present situation than by the economics of it. Certain groups in this country stand to gain political advantage by creating the illusion of recession. Their natural inclination is to exaggerate every decline that occurs in any part of our economy. In this way, they hope to persuade the American people that the situation is getting out of hand, that private enterprise cannot cope with it, and that government must therefore step in and undertake another huge program of deficit spending.

If our national supply of common sense has not been wholly exhausted, the American people will take a long, cold look at that primrose path before they travel it again; for the destination to which it leads is national ruin. Hindsight, and a little common sense, should convince us by now, I think, that government alone can neither create prosperity nor overcome depression. Only the American people themselves can do that.

The Secretary of the Treasury, George Humphrey, has put it about as well as anyone I've heard yet:

> The success or failure of our economy depends chiefly upon our people themselves —upon business men, laborers, farmers— everybody in America. The only thing that government can do is to provide a fertile field to work in; but the thing that makes America go—and that always has and always will—is the individual effort of 150 million people, all trying to do a little more for themselves, a little more for their families, and a little more for each generation.

Private research is one of the ways in which business has provided—and is continuing to provide—not only for the steady growth of our economy but for the constant betterment of our way of life. Last year, American industry spent more than $3 billion on research alone. Much of this money went into the creation of new products, new discoveries, and new jobs. A lot of it also went to devise new production techniques and

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new machines which have enabled American workers to produce more, to earn more, and to buy more.

But research is merely the first step. The discoveries made in the laboratory are only the blueprints of prosperity; they have still to be transformed into the plants and facilities that turn out the new products for our customers and provide the new jobs and new earning power for our workers. And that, as you know, takes money—real money. American business invested $28 billion last year in new plant and equipment, thereby providing millions of jobs for those who performed the work and creating productive facilities which will continue to generate a wealth of new purchasing power for all the American people. Moreover, these private investments in new plant and equipment go on year after year.

It might be said that industry is betting its shirt that there won't be a depression. I would prefer to say that industry is merely continuing to pay the premiums on the most important insurance policy in the world—a policy that insures America's future prosperity.

America today is undergoing that difficult and sometimes dangerous transition from war to a peacetime economy, and all of us are closely watching every economic index that records a change in business activity. It would be wonderful, of course, if our economy always grew at a steady, unfaltering pace; but that never happens in any nation, anywhere. To me it has always seemed that our economic progress is a good deal like the waves that break over the beach on the incoming tide. Each one comes roaring in, spends itself, and then recedes—but in doing so, it contributes to the volume and the force of the next wave, which always comes in a little farther.

Yet those who spend all their time watching the waves can become so obsessed with this process that they never observe the onward movement of the tide itself. And so it is, I think, with many of our pessimists today. They simply cannot see the tide for the waves.

America has suffered disastrous periods of inflation and deflation. It has weathered an endless series of recessions, depressions, and panics. But through it all, this nation has ridden the crest of an unchanging tide that has carried it always higher until today we have reached a standard of living so fabulous that our grandfathers could not have imagined it even in their wildest dreams.

So let no one tell us that we have reached the end of our Golden Age; for this, in truth, is only the beginning. In my opinion, we stand on the doorstep of the greatest era of progress this nation has ever seen.

Yes, make no mistake about it: Ours is an unchanging tide.

—From an address by BENJAMIN F. FAIRLESS (Chairman of the Board, U. S. Steel Corporation) before the Delaware State Chamber of Commerce.

BACK IN 1870, more than three-fourths of the nation's labor force was engaged in the production of physical goods. By 1930, the proportion of workers in production had been reduced by half, the proportion of those in the service and distribution industries had doubled, and the volume of goods produced had increased ninefold.

—EDWARD H. COLLINS in *The New York Times* 4/5/54

OUR RISING LIVING STANDARDS: CEILING UNLIMITED?

TODAY WE CAN look back on 50 years of economic and social change that has revolutionized the demand for resources and drastically changed our previous conceptions of resource supply. Since 1900, a doubling of our population and a fivefold increase in living standards have combined with war and cold war to make heavy material demands. We are using many kinds of resources at rates undreamed of half a century ago. We have learned how to use new materials and have found additional sources of many familiar ones. We have become much more dependent on foreign sources of supply, and at home we have come to place increasing reliance on exploration, conservation, substitution, and innovation.

The United States still has an enormous wealth of natural resources. But recent rates of drain and the prospect of further increases in demand are causing concern over future supplies and costs.

Economic developments in the first half of the century have been made possible by draining large quantities of our material wealth. In the period 1900 to 1950, we used up 40 billion barrels of petroleum, 26 billion tons of coal, 3 billion tons of iron ore, 33 million tons of copper, 26 million tons of zinc, and 22 million tons of lead. The amount of copper, lead, zinc and oil taken from the ground during the past 50 years is considerably greater than present known reserves.

Dependence on imports, resort to less economical sources of supply, and the quest for substitutes and synthetics have thus far been sufficient to keep our vast industrial plant operating and to maintain an expanding economy. But what of the years to come?

The record of past efforts to predict the economic future and to anticipate technological change provides ample indication of the pitfalls of projection. But it is at least probable that a marked increase in population will occur during the next half-century, that 200 million is a reasonable minimum figure, and that this growth factor together with the changing composition and distribution of the population will be of great significance to the American economy.

On the assumption that resources will be sufficiently plentiful to provide for continuing increases in production, it has been assumed by some that the year 1975 will see the total gross national product double that of the 1950 figure—which, it is estimated, would involve 50 to 60 per cent more resource use than in 1950.

This projection of the national product seems conservative in view of the tempo of scientific discovery and changing technology in recent years. It is quite probable that the rate at which revolutionary products and improved methods of production are introduced in the next several decades may increase the annual growth of the national product substantially above the 2.5 per cent average of the recent past. As early as 10 years from now we could be producing some 500 billion dollars of goods and services, measured in today's prices, with an average increase of only 3 per cent a year.

With an output of this magnitude we would be spending $40 billion on nonfarm plant and equipment (compared to $26 billion in 1952), $15 billion for new housing (compared to $11.6 billion), and $15 billion for schools, highways and other public works (compared to $10.8 billion). If this rate should continue as

the average, our economy by 1975-80 could be producing at least three-quarters of a trillion dollars of goods and services.

What relationships will hold between rising national product and the use of materials is difficult to judge, however, because of the increasing relative importance of services in the total goods-and-services output, and because our concepts of higher standards of living may in the future attach greater significance to objectives and ways of life that involve relatively less consumption of materials.

During the first half of the century our technological and material advances were the dominant preoccupation of the people. In the half century ahead we may gain our mental bearings in the turbulent world around us, and other influences may share with science and technology the determination of how we live and what the pattern of resource use will be.

Until the one-fifth of our population that now has less than the minimum requirements for subsistence can improve its position, however, the potential material requirements of the nation will be great, and pressure on resources will continue to rise. If, as the Council of Economic Advisers recently stated, it is feasible within a decade to raise all families with incomes below $4,000 to that level (measured in present-day prices), this would mean heavy demands for housing, health, education, recreation, food and clothing.

But how much additional resources use will be involved in the attempt to realize higher standards of living after this minimum has been achieved is not clear. The extent to which American standards of living will continue to be measured in material rather than in cultural terms is a question which might well be investigated by the social scientists.

—From *A Mid-Century Look at Resources*, a paper prepared by The Brookings Institution for The Mid-Century Conference on Resources for the Future.

MOVING YOUR BUSINESS—PAINLESSLY

MOVING A BUSINESS is a common undertaking nowadays. These are days when suburbs are growing, downtown areas are changing, little enterprises are expanding and big ones decentralizing—when, in fact, the whole business map of the country is being remade.

In broad outline, the company moving problems boil down to five, which apply whether you're moving a mill to another state, a store to the suburbs, or an office across town:

Planning. This is the most important phase of the operation. Every conceivable detail should be worked out in advance—cost estimates, storage of supplies, trucking timetables, doorway clearances, inventories, and so on.

When to plan? Six months in advance isn't a bit too early to start. Many companies get under way as much as 18 months ahead of time.

There are several methods of handling the administrative end of a move. Most common is the committee system. When the Mennen Company was planning its

20-mile transfer from Newark to Morristown, New Jersey, it put a small, centralized management committee in charge—production vice-president, plant manager, and plant engineer. These men, in turn, handed specific projects, studies, and tasks over to other committees working under them. Almost everyone from the level of foreman and supervisor on up was involved.

It pays to have every department and echelon of the company in on the advance work. You stir up a lot of valuable ideas and suggestions.

Production. Whatever production may mean in your business—paperwork, retail sales, manufacturing—you've got to search out the means of moving that will create the least possible interruption.

Mennen, like a number of other companies, decided that its operations would be affected least if it moved in bits and pieces over a period of three months. Under this system production is off stride for a long time but never completely halted. Many other firms, however, have found conditions that made the opposite method better for them: one big jump, with everything moved in one or two days.

A similar and related problem is establishing a moving sequence for equipment, units, sections, departments. Careful estimates have to be made, far ahead, on the amount of work that must be turned out and stockpiled to tide the company over the moving period. A switch-over program for the storage of materials and finished products has to be worked out, so that at some point in advance of moving as many incoming supplies as possible are delivered to the new location, and as much finished production as possible stocked there.

Personnel. Unless you're just moving around the corner, you are likely to run into plenty of problems here. A principal one is to keep as many employees as possible from quitting because they find the new location inconvenient and/or don't want to move to new homes. Another is the problem of keeping employees who must eventually leave on the job right up to the last minute. A third is to have new people standing by, ready to go to work at once at the new location.

The move itself. It must go swiftly and smoothly. If the planning (on which you can take your time) has been done thoroughly and well, the climax of the operation can be the least worrisome part of all. There are three essential elements:

1. A mover who is experienced in such operations and has both the skilled manpower and the equipment necessary for your particular job.

2. A locating system whereby each piece of equipment is tagged with a number that corresponds with an exact location in the new building. (For machinery and heavy equipment, painted guidelines, etc., may also be needed.)

3. Careful timing of work that has to be done by outside contractors—plumbers, electricians, riggers, etc.

Mennen, by the way, used the industrial equivalent of sending the rugs out to be cleaned. Where practical, it scheduled overhauls and reconditioning so that equipment could be taken from the old plant, delivered to the new one.

The new neighborhood. Be sure to check on all local regulations, sanitary codes, parking laws, ordinances, etc., that could possibly affect you. See how your arrival will affect local parking condi-

tions, rush-hour traffic, lunch-time facilities, etc. See to it that the community knows who you are and what you do and why you're a company worth having in town.

It comes to this: Plan thoroughly. Consider both production and people. Make sure you'll be welcome when you get there. Pack up and go.

Big company or small, for a short move or a long one, follow that formula and you can make your move with a minimum loss of employees, tempers, equipment, and income.

—Condensed from *Changing Times, The Kiplinger Magazine*, March, 1954, p. 39:2.

U. S. Business' Greatest Asset

NOT THEIR PRODUCTS, not their trade-marks, not their patents, not their plants and machinery, not even their organizations, are the greatest assets of our business enterprises. In a fundamental sense, the most valuable single asset of American business is *the responsiveness of the American people.*

Ours is the most responsive public in the world. It is open-minded, curious, alert to change, receptive to improvement, adaptable and venturesome. It is quick to try the new and to adopt that which it finds simpler, quicker, more useful, more convenient, more attractive or glamorous, more enjoyable, more satisfying, or more exciting.

Without this quality of public responsiveness, our steadily expanding economy would have no soil in which to grow. It is this national characteristic which explains our economic system; for responsiveness is the foundation of our American standard of living, upon which that system is based. It is not only the greatest asset of American business; it is perhaps the greatest economic asset of the American people.

—*Management Briefs* No. 61

A "Refuge of Quiet" for Employees

A STAINLESS STEEL PLATE bearing the words "To each his own, a place of prayer and meditation," sealed the cornerstone of a structure unique in American industry last December 23rd.

The cornerstone ceremonies took place at Solar Aircraft Company's All-Faith Chapel, erected on the company's waterfront property facing San Diego Bay by voluntary work parties of employees, working on their own time. The site, materials, and equipment for the chapel were donated by the company.

More than a year ago Edmund T. Price, Solar's president and general manager, offered the chapel idea, in a talk to employees, as a "refuge of quiet in our busy, noisy lives" which "can help some or perhaps all of us in keeping alight the torch of faith and inspiration." The suggestion was greeted with enthusiasm, and ground-breaking ceremonies took place in December, 1952.

Hundreds of Solar employees have contributed their time and skill to the chapel construction. When completed, the 35-by-50-foot building will accommodate more than 100 persons.

—*The Foreman's Digest* 3/54

TRENDS IN COMPANY COMMUNICATIONS PROGRAMS

MAJOR CORPORATIONS today are giving measurably greater recognition to the value of programs of internal communications, according to the findings of a survey conducted by the Public Opinion Index for Industry of the Opinion Research Corporation.

The study, which was conducted among companies with assets of $5 million or more in the manufacturing, utilities, transportation, and wholesale and retail trade, emphasized that corporation managements are giving increased attention to the pivotal role played by foremen and supervisors in company communications programs.

Meetings with supervisors, the essential part of many corporations' internal communications programs, were employed regularly by 97 per cent of the companies during 1953, as against 70 per cent only two years previously.

Economics courses for supervisors were given by 35 per cent of the companies in 1953. This represents a decline from the peak of 44 per cent in 1952, but is still approximately three times as many companies as offered such courses during 1949.

The use of employee publications as a major communications medium leveled off at 72 per cent of the companies studied during 1953 from a peak of 76 per cent in 1951. Some 57 per cent of the companies issued employee publications in 1947. It was significant to note, however, that companies were making a more serious effort than in any previous year to interpret themselves, their policies, and their role in the economic system, rather than emphasizing matters of topical or trivial interest in employee publications.

One type of interpretive material being used increasingly in company publications is the feature article based on the annual report. In part, this technique is replacing the publication of a separate annual report for employees, use of which has been declining considerably. In 1953, 45 per cent of the companies were issuing an interpretive feature on the annual report in their employee publications, whereas in 1950 only 18 per cent did so.

The use of other employee communications techniques, such as employee letters, employee meetings and information racks, has generally increased.

Information racks were used by 38 per cent of the companies in 1953 as against 17 per cent in 1951. Employee meetings held on company time showed a particularly noteworthy upswing in use, rising to 60 per cent as against 43 per cent in 1951.

In the area of external communications, there has been a continuing increase in the use of such devices as plant tours, institutional advertising, and motion pictures for reaching important groups of the companies' public.

In 1953, 84 per cent of the companies held plant tours, as against 69 per cent in 1952, 77 per cent in 1951, 70 per cent in 1950, and 51 per cent in 1949. Institutional advertising programs were employed by 72 per cent of the companies during the year. This compares with 68 per cent in 1952, 60 per cent in 1951, 50 per cent in 1950, and 56 per cent in 1949.

Motion pictures for transmitting company information and for the explanation of company policies to employees and their families, church groups, school children, service organizations and the gen-

eral public were utilized by 82 per cent of the companies last year. Comparable figures were 78 per cent in 1952, 73 per cent in 1951, and 48 per cent in 1950.

A growing disposition by American business and industrial organizations to elevate public relations personnel to top management positions has been noted by the magazine *Public Relations News*, which found that during the first nine months of 1953, a number of public relations men had been named vice president; several had been elected president; and some had been appointed to serve on boards of directors of major companies for which they had previously worked in capacities equivalent to public relations director or public relations counsel.

—DALE O'BRIEN in the *Encyclopedia Britannica Book of the Year, 1954.*

DO YOU WANT TO BE A PRESIDENT?

JOHN F. BASSILL
President, American Enka Corporation

ON A NUMBER of occasions over the past 20 years I have asked myself the question: "Why does anyone want to be the president of anything?" For myself, I believe I have found the answer: It is easier to be a president than, say, a vice president or a general manager—and it usually pays more.

Most management men who are not already presidents aspire to become president of their own or some other company at some time in the future. If you are among this group, there are some qualities you ought to try to develop and some things to which you ought to reconcile yourself:

1. You should make a realistic appraisal of your strengths and weaknesses and make up your mind that you are going to build strength within your organization in those areas where you are weak. The longer you are in the job, the more you will realize how many such areas there are.

2. You must be content to *de-emphasize* your own specialty if you have one and accept the fact that you are being paid to organize, direct and coordinate the skills and abilities of others.

3. You ought to be willing to accept the fact that over the years you will tend to become what Carl Heyel has called "a specialist in miscellaneity." You need to understand the basic principles of the work to be performed by others to appreciate the requirements of their jobs and to realize the time factor involved. You will know a little about a lot of things, but be expert in none. But don't let that bother you; we have all known experts who seemed to be "a long way from home."

4. You must be able and willing to assume responsibility. Not only that, but you must insist on the whole responsibility. You should realize that when a president is responsible to any single individual, rather than to the board of directors as a whole, he is president in name only and not in fact. (This is

From an informal address before the AMA Management Course.

purely a personal conviction and is not in any way intended to reflect upon anyone who feels differently about this point.)

5. You must be able to attract and be willing to surround yourself with men of integrity and ability. You should let your associates know that you have confidence in them—and that while you are available for guidance, advice, and counsel, you expect them to accept fully the responsibility delegated to them and run their own show.

6. You must have a philosophy of life and a philosophy of business in which you firmly believe. While there is usually plenty of room for give and take in the solution of your problems, you must adhere rigidly to your fundamental principles and give expression to those principles so that your people will know what you stand for.

7. You must practice what you preach. Your philosophy of management should have meaning and be backed up by definite convictions.

8. You should recognize the fact that your company's success and your own success are largely dependent upon the character and ability of the people with whom you surround yourself. You should constantly strive to create an atmosphere in which they can work effectively and harmoniously as a team.

9. You should recognize that while there is a very definite limit to what one person can accomplish working alone, there is almost no limit to what one person can accomplish working with and through others, given good people, proper organization and the right attitude (which it will be your duty to supply).

10. You must strive to bring to bear on the solution of your problems the combined initiative and intelligence of your whole management group.

11. You should place at their disposal not only the best physical equipment that money can buy but also the best management tools known or that can be devised.

12. You must show proper respect for the opinions of others and be mindful of the difference between argument and discussion. In the former you are trying to prove you are right; in the latter you are trying to find out what is right.

13. You must be ever careful to protect the reputation of your company. You should realize that nearly everything you do or say reflects either favorably or unfavorably on your company.

14. You must go to the board of directors with definite and concrete proposals and recommendations and be prepared to defend them. You should not place upon the board the burden of making decisions you are being paid to make. No board wants a "wishy-washy" president.

Lest I leave the impression that being a president is just one big bed of roses, let me assure you that there will be times when you will be confronted with the most annoying, irritating, and aggravating situations, which you cannot delegate to others. As John McCaffery, President of International Harvester Company, said in an article in *Fortune*, "What Corporation Presidents Think About at Night":

> There are other problems that he has to sweat and struggle with, largely by himself. They are the problems he thinks about at night. They all arise out of one simple fact. I can sum up this situation in one sentence:
>
> The biggest trouble with industry is that it is full of human beings.

Do you still want to be a president?

New Patterns for Efficiency

SOME OF THE most prosperous periods of our history have opened with a basic invention such as the automobile engine or the vacuum tube. Today the rate of speed in putting such new ideas to work is much faster, and the results appear sooner in employment, production and sales.

Right now it is possible to foresee changes in industry and commerce evolving from several recent technical advances that affect the output of metals, fuels and power, and the mass production of many kinds of merchandise.

Among these tools are instruments and methods that already have been successfully employed to discover large reserves of minerals, including copper. Electronic meters can now measure in billionths of a pound the "gravity pull" of ores beneath the ground, and show the depth and extent of these deposits.

A novel process of "coking" coal underground involves running current through ground electrodes sunken at various points into the coal deposits, with no subsurface mining. It is reported that in this way not only coal fields but depleted oil fields and masses of oil shale can now be tapped for "approximately 100-per-cent recovery of potential fuel materials."

Another recently perfected tool of industry is a process for creating high vacuums, which in a short time has increased productivity amazingly in a variety of mass-production operations. Vacuum-melted steel makes friction bearings of greatly improved resistance to wear; modern vacuum pumps are used to multiply the output of frozen citrus juices, or to coat sheets of plastic with an aluminum film.

It seems to be a mark of our encouraging climate for enterprise that such recent technical advances as these promise to exert a broad influence on business in this country, and therefore to shape the course of our economy in ways not yet defined except as patterns for efficiency.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 3/9/54

Progress and Prophecy

WHEN ANYONE in the past has attempted to predict the long-term future, his forecast has turned out to be hopelessly shortsighted and pessimistic. Benjamin Franklin, for example, thought at the end of his life that it would perhaps take centuries to settle the American continent. The State of California stands as a monument to his error. Thomas Jefferson in announcing the Louisiana Purchase felt that the territory might be fully occupied after twenty-five generations. The railroad and the steamboat opened it up to settlement within a few decades.

In the early 1900's a gentleman from Philadelphia grew enthusiastic about private motor cars and foresaw the time when there would be 100 or so in every city. He viewed this development as a boon to highway safety, as it would free the country from drunken riders and wild horses.

A British socialist during the nineteenth century foresaw the period when it would be unnecessary for children to work more than 10 hours a day.

The economist Jevons, in 1860, was alarmed at the possible exhaustion of the earth's coal supply within a few years. I have heard similar predictions on petroleum almost yearly since my college days.

I could go on with similar examples. It should be evident that the progress of genius and inventiveness is something that is always underrated. Those who become unduly alarmed at our short-term prospects are guilty, therefore, simply of economic myopia. They forget that our economic orbit is shaped not by inventories, government spending, or any of the host of business indicators, but by human courage, desires, and incentive.

—CRAWFORD H. GREENEWALT (President, E. I. du Pont de Nemours & Co.) in *Challenge* 3/54

THE STATE OF BUSINESS: NATIONAL HYPOCHONDRIA?

IN ECONOMIC circles 1954 may well come to be known as the year of the obscure oracles. Never before have so many would-be Nostradami speculated on the shape of the American economy.

What are we going through? An inventory adjustment? A rolling adjustment? A downturn? An easing off? A leveling off? A lull? Drop? Dip? Slip? Correction? Recession? Depression?

Unhappily, there is little consistency in the terms used by economists and business men, and often politicians destroy whatever shred of coherent meaning exists.

The problem is confounded further by the fact that some of the terms are of fairly recent invention. The events of 1937 were called recession; in the days before the Great Depression they would have been called panic or depression. What is called recession in 1954 would have been considered, in 1939, undreamed-of prosperity.

Is any definition of terms then possible? Has any lexicon of economic difficulty any meaning? Yes, within limits and with understandable qualifications.

Depression: There is almost universal agreement that an extended interval of economic difficulty, lasting for more than two years, should be called a depression. Moreover, virtually all industries must be moving downward, and the decline must be practically continuous. The dominant characteristic of a depression is mass unemployment.

Today we have 3,500,000 unemployed and the number will probably increase to more than 4,000,000. This prospect frightens the wits out of politicians, releases demands from labor leaders, catalyzes preparations for government action and mobilizes counter-action by American business. Nevertheless most economists would still insist that we don't have genuine depression unless business difficulty is general, business failures increase sharply, and unemployment mounts beyond 5,000,000. *And all of these would have to continue for more than 24 months to earn the name depression.*

Recession: This is quite obviously something milder than depression.

Curiously, the road downhill in a recession is faster and sharper in any interval of a few months than in a depression. But, unlike depressions, recessions do not affect all industry uniformly. Some industries just level off, some dip very rapidly, one or two may even go up very slightly.

Here, too, our view of what is normal in industrial production has changed sharply. Today the nation has become hypersensitive to the point where much milder fluctuations are likely to have almost as serious a psychological impact on the nation as did the violent ups and downs of two decades ago.

Dip and *adjustment:* These terms are widely used now, but they are almost meaningless as descriptions of economic difficulty. Every period of prosperity, recession or depression is seen by the statistician as a line on a graph which moves in a particular direction—up or down—and contains many brief, contradictory intervals. These don't affect and have little to do with the longer and more significant direction.

Inventory correction: It, on the other hand, is not the description of general economic ailment; it is a periodic slow-

down that occurs when manufacturers and retailers have over-optimistically guessed consumer intentions.

Every recession or depression contains periods of inventory adjustment. The present situation, however, involves less of an inventory correction. The reason is that most business men had reduced their stocks, expecting that 1953 would not be as good as it actually turned out.

Rolling adjustment: This is a new concept, born some time after 1940. It designates a period in which one or a few major industries are taking a beating at a time when others are really prospering. Then, when the industries which have suffered come out of their valley of momentary despair, others drop down.

But it's never a case of everything being either up or down at one time.

To some extent a modest rolling adjustment is always in process in the economy.

Economics, the art of projecting human appetites for goods and services, is just becoming the science of measuring these appetites. There is enough real uncertainty to produce an understandable caution and a desire for obscure meaning. And there is the equally important desire —especially among politicians—not to disturb the psychology of both the business men and the general public. The word "adjustment" is certainly more reassuring than the word "recession," and nobody ever again wants to hear that word "depression."

Actually the figures and terms miss the non-mathematical aspects of our society. Every economist and business man knows that psychology plays a vital role in boom and bust.

"A country can become a hypochondriac too," says David E. Lilienthal, "just as a person can. A country can fall into the habit of popping a fever thermometer into its mouth to take its economic temperature every hour on the hour, listening anxiously to its every heartbeat, and forever psychoanalyzing itself. Frankly, we've had a bit too much of this lately."

—LEO CHERNE. *The New York Times Magazine*, March 28, 1954, p. 14:1.

"Angler's Guide" to Security Risks in Industry

AWARE of the danger posed by unauthorized persons "angling" for classified information on government contracts, security officers at Minneapolis-Honeywell Regulator Company recently devised an eye-catching way of assuring an "on guard" attitude among personnel in the ordnance and aeronautical divisions who handle classified material. The gadget: a series of card mailings, each satirically profiling the nine most flagrant security risks.

Portrayed as "queer fish" that "never get away" from the skillful angler are, among others: the three-martini worker (Fried Herring) who discloses any information without request after imbibing; the loquacious employee (Large-Mouthed Bass) who loudly discusses classified information over the telephone; the griper (Common Carp) who complains incessantly over security regulations, often revealing vital information in the process. The cards also include typical leading conversation-starters used by the angler.

Results of the mailings have been excellent. In Honeywell's ordnance division a marked decrease in security violations was noted immediately after the mailings began.

Also Recommended • • •

INDUSTRY AND THE LIBERAL ARTS. *The Saturday Review* (25 West 45 Street, New York 36, N. Y.), Vol. XXXVI, No. 47. Five articles on the trend toward specialized, "practical" college training and the effects of the resulting decline of the liberal arts upon our national culture and industry. First presented at an institute of educators and business men, the papers include comments by officers of the Standard Oil Company (New Jersey) and the Socony-Vacuum Oil Company on the importance of liberal arts training for producing well-rounded executives who have skills in human relations as well as technical knowledge.

HOW TO GET A RAISE. By John McDonald *Fortune* (9 Rockefeller Plaza, New York 9, N. Y.), Vol. XLVIII, No. 6, $1.25. The best way for an executive to get a raise is to become as unique as a da Vinci painting—to have a monopoly on a particular talent or skill and at least two firms competing for him. Short of that, various subtle strategies and maneuvers can be employed, a number of which are described here with humor and discernment.

MANAGEMENT'S RESPONSIBILITY FOR THE USE OF STATISTICAL TECHNIQUES IN INDUSTRY. By W. Edwards Deming. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), November, 1953. $1.00. During the past decade, statistics have been applied to so many diverse management problems with such good results that the author foresees the creation of a new top-management function—that of the statistical administrator who will have an important voice in management's decisions in many key areas of production and distribution. However, he warns, there is a serious shortage of trained statisticians, and management would do well to direct some thought to this problem—as it has begun to do, for example, in the case of engineers.

LOOKING FOR THE BIG NEW BREAK. *Business Week* (330 West 42 Street, New York 36, N. Y.), January 9, 1954. 25 cents. Both the physical scientists and the economists are dissatisfied with their broad theoretical achievements, this report on the annual meetings of both groups indicates. The economists are currently engaged in a controversy over revisions in orthodox theory made by John Kenneth Galbraith, who challenges the idea that competition is the principal regulating force in the economic system, the article reports.

WHAT KIND OF BOSS FOR MODERN BUSINESS? *Challenge Magazine* (32 Broadway, New York 4, N. Y.), February, 1954. 20 cents. Today's manager must assume responsibility not only for production but for a whole range of social and political problems that make up a modern industrialized world, this article states. It touches briefly upon approaches large companies are using—including post-graduate courses in business administration—to train executives to meet broadening responsibilities.

PRODUCTIVITY—AN IMPORTANT FUNCTION OF MANAGEMENT. By John W. Roberts. Available from Albert Ramond and Associates, Inc., Chrysler Building, New York 17, N. Y. The key to higher productivity, the author believes, is the willingness of stockholders and boards of directors to let those in charge of management do the managing, of the investor to plow back profits into the business, and of the employee to adopt constructive attitudes toward technological developments. Describing the great advances in productivity of industry generally, he cites the example of one metal-processing plant. A new staff position—vice president in charge of productivity—is recommended for companies interested in achieving maximum advances in this area.

ARE YOU THE NEW EXECUTIVE TYPE? By Bill Davidson. *Collier's* (640 Fifth Avenue, New York 19, N. Y.), February 5, 1954. 15 cents. Industry today is less concerned with the potential executive's personality, appearance, or specialized training than with evidence that he has ability, varied interests, and a well-rounded educational background, the author says. He briefly reviews the methods various companies are using to promote "from the ranks."

CAN BUSINESS AMEND ITS WAYS? By William L. Batt. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), Vol. 62, No. 2308. 75 cents. Placing the responsibility upon top management, the former U. S. member of the Defense Production Board of NATO stresses the imperative need for devising national production standards and harmonizing them with those of our allies in order to permit full utilization of our resources for mutual defense. One of the easiest and most important steps, he says, is to standardize drawing and drafting practices in America, Britain, and Canada.

EMPLOYMENT OF THE AGING: APPRAISING THE BARRIERS

THE DESIRABILITY of retaining aging employees in industry and employing aging applicants is being increasingly recognized today. At the same time, certain practical difficulties are interfering, at least on occasion, with the accomplishment of this aim.

What are these barriers, and how may they be surmounted?

The first has to do with the physical ability of the aging to perform manual work. Much has been said and written in regard to their stability, loyalty to the job, mature judgment, faithful attendance —in short, their superiority as employees. However, the fact remains that the irreversible changes of age dictate a lessening of physical activity.

In industries where an appreciable percentage of jobs require moderate or greater than moderate exertion, and where the lighter jobs are already filled by those whose qualifications or seniority are greater, this is a real problem. Its solution may require changes in attitude on the part of both managements and unions.

Management may increasingly find it desirable, if not actually necessary, to re-engineer jobs by "effort-saving" devices or installations to reduce the physical demands of the job.

Labor organizations may be able to contribute to the solution of this problem by endorsing the principle of the regrouping of job assignments. Studies in industry might reveal that many jobs require only light exertion during more than seven hours of the working day and are heavy during only a few minutes of the eighth hour. The inability of an older employee to carry out these minutes of heavy duty, or the risks to which they subject him, may disqualify him. The "share-and-share-alike" philosophy which is part of the creed of some unions forbids the reassignment of these minutes of heavier work to a younger, stronger member and his relinquishment of some lighter duty he is now performing.

The second point for consideration has to do with the unemployment of older persons. Exploration might reveal that a most significant (and little discussed) cause for rejection of middle-aged or older applicants for employment is the industrial employer's fear of a workmen's compensation claim under the "aggravation of a pre-existing condition" clause which is found in the workmen's compensation statutes of a number of states.

Within the last few years employers and insurance carriers state with increasing frequency that they have been confronted with awards for compensation, permanent disability, or death, which they have regarded as unrealistic and ill-founded. Trivial injury has been held to be responsible for death or permanent disability from some already well established disease or bodily infirmity, and the total costs of such decisions are enough, apparently, to be causing alarm in insurance and employer circles.

It is not too difficut to understand the reluctance of an employer to risk being assessed the cost of a lifetime compensation award and/or a death claim for the newly-hired employee suffering from one

of the chronic conditions characteristic of age, on the basis of some complaint of trivial trauma. Yet that is the situation under the interpretation of the "aggravation of a pre-existing condition" clause in a number of states.

It may well be that a large number of unrealistic awards—each advantageous to individual plaintiffs—have, collectively, lowered the age limit above which applicants for employment are being rejected in industry—and this at a time when more arguments than ever are being advanced for raising the age limit for hiring.

Thus, the trend in industry may be increasingly to reject for employment applicants who present physical difficulties, particularly the potentially more serious defects of increasing age—in spite of the fact that executives, as individuals, may be at the same time becoming more and more conditioned toward the belief that aging people can be and should be usefully employed. While believing personally that the older person can be useful and should be employed, administrators fear the threat of potentially great costs for a short-term employment.

Representatives of labor unions, managements, social agencies, the social scientists, and the medical profession all have expressed concern over the aging worker. Can collective study and action lower these barriers?

—CHRISTOPHER LEGGO, M.D. *Industrial Medicine and Surgery*, February, 1954, p. 73:2.

GETTING THE FOREMAN'S SLANT ON LABOR RELATIONS

THE PHYSICIST has his Geiger counter, the submarine commander his radar, the weatherman his barometer. But what does management have for ticking off unseen problems? Grievance machinery can be a fair index of employee relations progress —or lack of it. Meetings, too, are a help But these are spotty, catch-as-catch-can gauges at best.

Yale and Towne Manufacturing Co. (Philadelphia, Penna.) has developed a more effective technique by which the industrial relations department, the plant superintendent, and other staff and line people can keep right on top of employee relations matters. The key: a "Monthly Employee Relations Report" filled out by each foreman every 30 days. The report is simple in concept but not so simple in execution. Supervisors don't relish the idea of writing reports, and it takes training and persistence to get the system working properly. But pay off it does.

The advantages of the "Monthly Employee Relations Report" are many. It requires that the foreman sit down once a month and think about the problems in his department. That in itself is a worthy objective. He must, to fill out the report properly, organize his thoughts on both the positive and the negative facets. If he has solved some persistent problem, he records it for management to see. If his department still suffers from an old problem, he repeats it on his report in the hope that action will be taken.

For example, one foreman in report after report harped on the fact that his men had to wait too long to get food in the cafeteria. When this complaint had come up several times in the report, the

proper management officials took note and corrected the situation.

Because the report is filed every month, the plant superintendent or the industrial relations department is obligated to take necessary steps to correct things that need correction. It's difficult and downright embarrassing to let things slide—because the unattended matter will come up next month in a report.

The report is also a good merit-rating device. Supervisors with the ability to think through their problems and present them in monthly digests are prospects for bigger jobs.

It might seem simple for the supervisor to "fake" his reports and put down only glowing items. But if something goes wrong it's easy to check back and see whether he brought the problem up in a monthly report before it came to a head. On the other hand, if the foreman had previously warned of trouble in his monthly report, the blame can be assessed more equitably.

The purpose of the report is not to serve as a compendium. Instead, the foreman highlights only one or two problems, or mentions one or two favorable developments.

In adopting this procedure, you must be resigned to slow going at first. It will take time for foremen to get the knack of setting down problems and developments in pinpoint fashion. The first tendency will be to describe everything as being "O. K." and let it go at that. Or, "No problems."

Another bottleneck will be the resistance of some supervisors to the business of writing. When this problem came up at Yale and Towne, the industrial relations department suggested to the foremen: "We'll do the writing, but you tell us what to say." This embarrassed many of the resisters, and they promptly decided to do their own writing.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), February 10, 1954, p. 6:3.

Quick Cure for Phony Illness

ARE SOME of your employees puzzled and bothered by the cheating of others who spend sick-leave time hunting, fishing, and vacationing—no matter how much they're needed at work? Here's an idea that may prove useful in correcting the situation.

The Norwest Plumbing and Heating Supply Company, Detroit, found that some employees would use up their whole 40 hours' sick leave very early in the year, while the more loyal and conscientious ones would not take off unless they were actually sick. As a result, the employees who were on the job every day in effect got 40 hours' less pay than others less diligent.

Accordingly, starting last year, the company advised all employees under union contract that they would be paid in cash, the week before Christmas, for any unused sick leave to their credit. This gimmick—which actually costs the company very little—has proved to be so successful in reducing unnecessary absence that this year it is being extended to office employees.

"Some workers who formerly stayed home if they had the slightest headache now manage to make it to work every day of the year," says Kenneth Adams, company administrative director. "We feel that the extra expense has been more than compensated for by reducing unexpected absenteeism."

—*Personnel Administration Service* (The Dartnell Corporation) 1/54

Personnel Practices for Foremen—A Survey

MANY EMPLOYERS act as though they were walking a tightrope when setting personnel policies for foremen—and justifiably so. It's seldom easy to work out a set of rules which will give the foreman "status" without impairing his relationship with his crew.

A survey conducted recently by the *Employee Relations Bulletin* among 287 companies of all sizes revealed no uniform pattern on personnel practices relating to foremen. And, in general, personnel "fringes" for foremen are lagging noticeably in comparison with those for the rank and file.

Here are some specific findings of the survey:

Records of the foreman's hours of work. In 39 per cent of the companies, foremen punch time clocks. Twenty-seven per cent have foremen report their working hours on weekly slips or similar method. In the remaining 34 per cent, foremen do not report their working time.

Participation in management meetings. In 13 per cent of the firms, foremen do not participate. Twenty-six per cent of the companies conduct weekly meetings for their foremen; 7 per cent, semimonthly meetings; 19 per cent, monthly meetings; and 35 per cent, "periodically." Some foremen participated in management meetings only in the case of annual "all-management-levels" meetings, used to convey (not make) policy decisions. Other foremen participated only in the opinion-gathering sessions preparatory to top-management policy-making meetings.

Review of foreman's job performance. In 8 per cent of the companies, foremen are reviewed quarterly; in 28 per cent, semiannually; in 31 per cent, annually; in 25 per cent, "periodically"; and in 8 per cent not at all.

Seniority. Foremen retain seniority after promotion in 44 per cent of the firms. In 42 per cent, they accumulate seniority after promotion; in 14 per cent, they lose it after promotion.

Training. In 51 per cent of respondent firms, foremen receive no special training. In 25 per cent, they participate in supervisory training programs giving instruction in conference leadership, production techniques, cost control, etc. In 17 per cent of the companies, foremen have informal meetings, sometimes with a speaker, usually monthly or every six weeks. In 7 per cent, foremen get job instruction and training in employee relations from their immediate superiors.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.) 11/18/53

Recent Shifts in the Industrial Wage Pattern

SMALLER GENERAL wage increases (particularly in key settlements) and extra raises for skilled employees appear to have been the most important characteristics of the 1953 wage picture. The median hourly increase for the year, 8.5 cents, coincided with the steel industry's increase negotiated last May. In most other heavy industry, increases were smaller, ranging from 4.6 cents in rubber to 7 cents in electrical equipment. These were the smallest wage gains since the war, except for the "zero" round in 1949.

Skilled differentials came in for renewed attention in 1953. In some industries, such as automobiles and electrical equipment, special increases for skilled trades—uncommon during the postwar period—were provided in 1953. An exception was the steel industry, whose across-the-board boost last year contrasted with the graduated increases negotiated in earlier years.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 1/28/54

HOW MANY ALCOHOLICS ON YOUR PAYROLL?

IF YOUR COMPANY is an average one, a good many of your employees are alcoholics, say authorities—though the actual number is likely to vary with the community and with the age, sex, and national background of your work force. In round figures, some 6 per cent of the males who drink are alcoholics, and still others are in the "pre-alcoholic stage," which neither they nor their friends and employers may recognize for what it is.

The alcoholic in industry is not an easily identified skid-row bum; often he has a long, stable employment record. Yet he and others like him may cost an employer thousands of dollars in unnecessary scrap, absenteeism, and accidents.

If he is an employee who meets the public, he may be making more tangible inroads on profits by dissipating good will during his frequent hangovers. Or he may be an executive in whom the company has invested many thousands of dollars—all of which will be wasted if his disease runs its normal course.

A recent conference on problem drinking in industry brought out that companies which are doing something about the problem are achieving a considerable measure of success. Consolidated Edison Company, through its Employees' Mutual Aid Society, and Standard Oil (New Jersey), for example, support a clinic at University Hospital, New York, where alcoholic and pre-alcoholic employees may be sent. Indications are that cures may run as high as 60 per cent.

The alcoholic is seldom willing to seek help until he hits the bottom, according to Dr. A. Z. Pfeffer of New York University's College of Medicine, who is in charge of the clinic. The idea of the industry program is to supply a "false bottom," as it were, and bring the alcoholic up short before he goes the whole route to loss of friends, his job, and his standing in the community.

The company tells the employee he is on probation because of his drinking, but that help is available at the clinic if he wants to seek it. This ultimatum is a sufficient shock to motivate many employees to a real effort, particularly if they have spent years with the company.

How may the alcoholic in industry be recognized? Generally he is not easily distinguishable from other employees, and often his fellow-workers and his supervisors cover up for him. There is, however, a group of symptoms which provide an indication. According to Dr. S. Charles Franco, Associate Medical Director of Consolidated Edison, these are: (1) consistent tardiness or absence on Monday morning and frequent instances of leaving early on Friday afternoon; (2) unexplained disappearances from the job; (3) recurring excuses for absence due to minor illness, such as colds, bronchitis, stomach upsets; or too frequent off-duty accidents, particularly with assault as a factor; and (4) personality changes in a previously good worker—such as arguments, criticism of others, recurring mistakes for which he defends himself, minor accidents which he blames on others or on equipment, marked variation in mood, and disinterest in work.

Many people who think they are only social drinkers are actually in the pre-alcoholic stage, according to Seldon D. Bacon and Ralph M. Henderson of the Yale Center of Alcoholic Studies. This stage is characterized by gross drinking (pre-alcoholics consistently drink more

than the rest of the group they happen to be with), gulping and sneaking drinks, and "blacking out"—which does not mean passing out, but amnesia the next morning regarding the night before. One such blackout is not too serious, but a man who has had several is dangerously close to true alcoholism.

—*Industrial Relations News* (Industrial Relations Newsletter, Inc., New York) 3/15/54

WHEN THOSE LAYOFFS COME

BACK IN THE grim days before employee communications became a practical science, handling a layoff was a simple matter. The foreman simply jerked his thumb in the general direction of the plant gates, and the victim was on his way.

Time, experience and organized labor have had something to do with changing all this. Yet, generally speaking, the techniques of separation are still relatively rough-shod.

Late last year one company in the midwest smacked up against the pain of the layoff. Unlike most companies, it was prepared to meet it. If you want a pattern for intelligent handling of a layoff, here it is. It may be amended to fit local conditions, but in general it will fit most layoff situations:

With the layoff anticipated but the date uncertain, the company prepared to make the affair as painless as possible for everyone. Employees had already been alerted by the grapevine to the possibility of layoff.

When the official word came through, supervisors were informed in a special supervisory meeting. All details were given and all questions answered. Immediately after the supervisory meeting, union officers were invited in and the same information was given to them.

Prior to the meetings, an announcement had been prepared for all factory and office bulletin boards. This was posted as soon as the meetings were over.

A letter addressed to all employees and their families, signed by the company president, was mailed to the homes that morning, so that it would arrive on the morning after the employees affected by the layoff could explain the matter in person to their families. A story had been released to the newspapers for first use on the same morning, so employees would learn of the layoff before the public.

The monthly newsletter sent to employees' homes carried a full, detailed account of the layoff. It was mailed so that it would arrive within 48 hours of the first announcement, and was designed to answer all questions arising in connection with the layoff.

Although only employees with less than a year's service were affected by the layoff, every effort was made to place any separated employee who indicated to his supervisor that he would like other work in the area. During the process of the layoffs, the personnel department got in touch with every potential employer in the section, so it would be able to give any interested employee a referral to another job if one was available.

The entire plan for this reasonably painless separation was worked out in

the company's personnel department. The news of the layoff was fed in the right order: supervisors, union representatives, all employees, their families, the community.

There was disappointment, of course; there was a certain, expected amount of griping at the level of separation. But for the gentle, considerate way in which it was handled, there was nothing but praise. The company made the best of an unfortunate but fairly common situation by putting its machinery of communication in motion to do the job in the best possible way.

Those who deal with employee communications will do well to learn how to handle the layoff. The man you lose today may be the man you want back—or are compelled by contract to take back—tomorrow. In any event, his good will is worth holding. If you can strengthen a tie or soften a blow by sympathetic, intelligent handling of a separation problem, so that the public understands it better, it's well worth the effort.

—*The Score* (Newcomb & Sammons, 224 East Ontario Street, Chicago 11, Ill.), January 15, 1954, p. 3:2.

A Suggestion Plan with a Three-Way Payoff

CONVENTIONAL suggestion systems have been criticized on two counts: (1) awards do not take into consideration the amount of time and effort required to work out the suggestion, and (2) foremen and supervisors are seldom eligible for awards, since making suggestions is considered part of their regular responsibility.

A scheme devised by a British firm, Peterborough Die Casting & Machine Company, Ltd., meets both of these problems head on.

First off, a small flat-rate award is made for every accepted suggestion and idea, regardless of who made the suggestion (foreman, group leader, or worker) and of the potential worth of the suggestion to the company.

To this is added a further sum, determined by the suggestion committee on the basis of the merit of the idea and the degree of thought, work, skill, and interest displayed by the individual in developing his suggestion.

The third stage, so to speak, of the award plan is based on a careful estimate of the savings expected from adoption of the idea. For hourly-paid workers, this award is 10 per cent of estimated savings over a 12-month period.

While recognizing that development of improved methods, safer practice, and so forth, are implicit in the duties of the foremen and supervisors, and thus to some extent covered by their ordinary pay—the company has devised a special schedule of awards to encourage foremen and other supervisors to put forward suggestions. Thus, foremen and supervisors receive 10 per cent of estimated savings for a period of three months, while section leaders, group leaders, or charge-hands of lesser authority and responsibility get 10 per cent of the estimated savings over a six-month period.

—W. E. HALLIDAY in ***Factory Management and Maintenance*** 2/54

FOR EMERGENCY USE: Each employee of the Timken Roller Bearing Company gets a card to take home and keep near the phone. On one side of the card is the number to be called in case the worker will be late or absent; on the other, the number and procedure by which the family may reach the man at work.

—***Management Methods*** 11/53

GETTING RID OF COMMUNIST EMPLOYEES

Most unions are vehemently opposed to Congressional probes into possible Communist influences in labor's ranks. They're also against investigation of Communist infiltration, through unions, into industrial plants.

This raises a real problem for employers faced with the possibility of such investigations. Many a company couldn't fire even a known Communist without violating its labor agreement. That's because relatively few contracts recognize Communist membership as cause for discharge. The suspension or firing of a worker who refused to testify before a Congressional committee could start a hot labor-management controversy if the union didn't go along.

There are signs, though, that the problem may not be so tough as it seems. Following close on the announcement of General Electric's program for discharging "all admitted Communists, spies, and saboteurs," two key locals of the International Union of Electrical Workers (CIO) sent circulars to their members advising them to cooperate with Senate investigators.

Most major unions' constitutions have long contained provisions forbidding membership or office to Communists, Fascists, Nazis, and adherents of other subversive or totalitarian groups. But you'll find other provisions in the constitutions of some left-wing unions, which usually open membership to all employees in the industry regardless of sex, race, nationality, political belief or affiliation. Actually, unions tend to make their decisions about Communists on a purely local basis, regardless of constitutional provisions.

Many employers report an unusual degree of union cooperation—in fact, leave their Communist problems pretty much to the union. Stewart-Warner Corporation, Chicago, says it had no trouble at all in getting the International Brotherhood of Electrical Workers (AFL) to agree to a clause in the labor agreement making Communism a cause for discharge. Stewart-Warner also has a provision in its contract with the International Association of Machinists (AFL) that unions might find difficult to refuse any employer. It provides that the company need not retain in its service any employee who is not eligible for membership in the union under its constitution. (IAM has a constitutional bar against Communist members.)

Probably most companies faced by the possibility of a Congressional investigation are fairly confident of union cooperation—even though few take pleasure in the idea of a probe itself.

—*Business Week*, No. 1273, p. 138:2.

HOW DO YOUR WAGE SCALES stack up against those of other employers in your area or industry? You'll find the answers in two Bureau of Labor Statistics reports: *Wages and Related Benefits: 40 Labor Markets* (BLS Bulletin No. 1113, 35 cents) and *Wage Differentials and Rate Structures Among 40 Labor Markets* (BLS Bulletin No. 1135, 20 cents). Both can be secured from the Superintendent of Documents, Washington 25, D. C.

—*Factory Management and Maintenance* 11/53

Fringe Benefits: They're Still Growing

NOBODY, perhaps, knows the total national cost of fringe benefits, though it may be safely assumed that they add annually billions of dollars to industry's payroll.

In the Cleveland area, which is considered generally representative of U. S. industry as a whole, periodic surveys on fringe benefits have been made since 1948 by the Associated Industries of Cleveland. The most recent of these was completed early in February.

What has happened to the cost of employee benefits since 1951, when AIC last surveyed management's hidden payroll costs? Two years ago, the average cost per man-hour for all employee fringe benefits was $.2477 in the Cleveland area. Today, the average cost per company for these benefits has risen to $.3083 per man-hour. This compares with a gain of 2 cents per hour in 1950-1952.

The greatest increase in hidden payroll costs indicated by AIC's 1953 survey occurred in companies employing fewer than 100 employees, which today are paying $.3220 for fringe benefits. This represents an increase of more than 10 cents per hour since 1951, when AIC's survey showed an average cost of $.2181.

Movement of the larger companies employing more than 1,000 employees was limited under wage regulations, as their benefits usually exceeded the community average. Two years ago, the average cost of employee fringes in the larger companies was $.2936. It is now $.3054, a very small increase indeed for a two-year period.

—*For the Informed Executive* (Associated Industries of Cleveland) 2/15/54

How Effective Are Your Financial Reports for Employees?

HOW WELL is American management presenting its financial information to employees? Are the words "profit" and "reserve" still confusing workers in the mines, mills and factories? What is management doing to explain the relationship of production, sales and wages—and how well?

Five judges will soon meet to appraise management's efforts to report to employees over the past year, in the first nation-wide contest to determine the best employee annual reports. They are S. R. Bernstein, editor of *Advertising Age;* Robert L. Bliss, managing and advertising director of *Public Relations Journal;* Carl C. Harrington, editor of *Mill & Factory;* John A. McWethy, assistant managing editor of *The Wall Street Journal;* and Kenneth E. Olson, dean of the Medill School of Journalism, Northwestern University, chairman.

The contest, which is being conducted by *The Score,* a monthly industrial relations report published by Newcomb & Sammons, Chicago, will end May 15. Any organization producing an annual report for employees is eligible, provided it was published within the period of a year prior to the contest's end. Reports may have appeared as separate booklets, as issues of employee magazines, as individual articles or features, or on plant bulletin boards or in other forms. There is no entry fee. Four copies of the entry are required, and should be sent to *The Score,* 224 East Ontario St., Chicago 11, Ill.

THE RACIAL-EQUALITY clause in government contracts, now being rewritten by the government's contracts committee, will be much tougher. It will forbid discrimination by government contractors in "employment, upgrading, demotion or transfer, recruitment, recruitment advertising, layoff . . . rates of pay . . . and selection for training."

—*Time* 3/29/54

Also Recommended • • •

WHAT ABOUT FAIR EMPLOYMENT? By Julius A. Thomas. *Challenge Magazine* (32 Broadway, New York, 4, N. Y.), Vol. II, No. 3. 20 cents. Though 25 major industries have recently begun to employ Negro professional workers and thousands of Negro clerical and production workers are finding a place in industry, economic opportunity for Negroes remains a national problem, the author states. He discusses five major influences which may relieve the barriers in the future, including fair employment legislation—which, by and large, he regards as effective.

THE NUNN-BUSH 52 PAY CHECK PLAN. By William E. McCauley. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. By assuring job security and wages based on earnings, the Nunn-Bush plan has both maintained high employee morale, smooth labor relations, and high quality products and reduced waste and rejects, according to this article on the plan's history, theory, application, and results. It is, the author believes, "one of the finest examples of the application of sound personnel techniques."

NINE INCENTIVE PLANS IN A TWO HUNDRED MAN PLANT. By Ford R. Larrabee. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), Vol. XVIII, No. 12. $1.00. Described here are the operations and results of separate incentive plans which a paper-converting company has installed for foremen, manufacturing and financial department heads, sales department employees, plant engineers, laboratory employees, the clerical force, and senior executives. The cost of clerical bonuses, for example—25 per cent of wages—has been amply repaid in the cooperation, material savings, and reduced turnover stimulated by the plan.

STATE MINIMUM-WAGE LAWS AND ORDERS. *Women's Bureau Bulletin No.* 247 (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.), 1953. 84 pages. 50 cents. Contains both a general history of state and federal minimum wage legislation and detailed analysis of the state minimum wage laws and orders which went into effect between July 1, 1942, and March 1, 1953. State wage orders during the period have most benefited trade and service workers who receive no direct benefits from the national minimum wage law, the report shows.

HOW MANAGEMENTS TALK TO SUPERVISORS. By William C. Lewis. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), Vol. 62, No. 2306. 75 cents. This analysis of the content and actual and potential value of company publications for supervisors finds that these periodicals are literate, factual, and instructive but that they often fail to stimulate communication up as well as down the line. The article includes a list of standard periodical services.

THE LOGIC OF UNION GROWTH. By Joseph Shister. *Industrial Relations Publications* (Department of Industrial Relations, School of Business Administration, University of Buffalo, Buffalo 14, N. Y.), 1953. This analysis concludes that the quality of union leadership will be a major factor in determining how union growth will proceed within the limits set by the work environment and the social-legal framework of society. The author predicts that declining employment in highly organized industries will not bring a commensurate drop in union membership.

HOW TO RUN A SUCCESSFUL SUGGESTION SYSTEM. By Donald J. Wood, *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. Eight essentials of a successful suggestion system and nine potential benefits are outlined here. The essentials include executive enthusiasm, a definite plan, a skillful leader, adequate eligibility rules, clear definition of acceptable ideas, adequate incentives, good promotion, and prompt evaluation and reports.

HOW TO ORGANIZE A FINISHING SCHOOL FOR YOUNG ENGINEERS. By D. S. Clark. *Manufacturing and Industrial Engineering* (73 Richmond Street, West Toronto 1, Canada), Vol. 31, No. 11. 25 cents. To help the young engineering graduate understand practical shop problems, an apprenticeship program is suggested here, consisting of (1) transfers to various production departments determined in conferences between the chief design engineer, the floor supervisor, and the training director; (2) training in the engineering offices; and (3) lectures by department heads or second-line supervisors. The time the engineer spends on the manufacturing floor, the author states, not only will help him create better designs but will improve the morale and productivity of the plant.

DEVELOPING AN OFFICE SERVICE GROUP

NO SET PATTERN really exists for the organization of an office management department or an office service group. The best results are usually determined by an analysis of your own problem, and from the best experience of others. We at Lederle Laboratories have not hesitated to ask others what they are doing, and with their permission have adopted what we consider to be some of their best features. We are constantly searching for ways to broaden our management perspective and to improve administrative operations.

Our office service group is directed by a manager, who reports to the comptroller, and an assistant. Their functions are: (1) to review constantly the purposes of the department and the basic policies, goals, and scope of operations, all within the broad policy established by top management; (2) to determine the best methods for organization and systematic operations; and (3) to administer the units and direct the work of employees within the units to accomplish the purpose of the department, using predetermined operating patterns.

The units of our office service department comprise stenographic, telephone, duplicating, messengers, mail room, office furniture control, office layout and space allotment, guest reception, record storage, and administrative staff.

Control of the department is maintained through the administrative staff. The duties of this unit are to study methods, recommend techniques and devices, and write procedures. This unit also conducts a departmental internal review or operations audit in cooperation with the methods and procedures man to maintain adherence to procedures.

This internal audit is designed to insure that management policies or directions are being carried out, to determine the adequacy and effectiveness of jobs being performed, to check the costs of jobs, to justify their continuance, to recommend corrective action, to propose procedural revisions or changes, and to suggest more economical methods. The administrative unit also maintains a few pertinent statistics, such as work performance, employee ratings, and time and job records.

The stenographic unit, largest in our office service group, has a supervisor and two assistants. A receiving clerk accepts the work, obtains the necessary instructions, estimates the complete processing time (using predetermined experience tables), logs the job in a control book according to category for statistical purposes, and schedules the work through to completion. All work is proofread and checked by others than the typist to insure the highest-quality work.

Of the total number of employees in the stenographic unit only 25 per cent are considered permanently assigned; 75 per cent are in training. Girls required to fill vacancies for stenographers or secretaries throughout the plant must come from the steno pool. No minimum training time is established, but two weeks is usually required to instruct an experienced stenographer in our methods and our standards.

Coordinated with the stenographic unit is the duplicating unit. Like the stenographic unit, this group serves every department in the plant; its equipment is versatile enough so that no run is too small and very few large jobs cannot be handled economically. The department is geared to handle the various requests from the research, production, and sales departments and usually delivers the finished job the same day the request is received. These results can only be accomplished with a tight system of scheduling, so that day-to-day routines and the normal flow of work are not disrupted by "spot service" and "peak load" demands.

Our mail room, which is in effect a small post office, handles over 19,000 pieces of mail per day. This unit is furnished with labor-saving letter-openers, postage meters, and sorting equipment.

Because our buildings cover an area of over 500 acres, it is necessary for us to have an extensive messenger service unit. Our experience indicates this group should be staffed with girls. They serve as replacements for the stenographic unit and can fit into many other jobs in the duplicating unit, mail room, record storage, and part-time clerical jobs throughout the plant.

The office furniture and office machine unit checks all requests for furniture and fixtures to be sure the need is essential, then assists in the selection as a part of the control of our standardization program. Records are maintained on all office furniture and office machines. This unit is responsible for the maintenance of typewriters, adding machines, cash registers, dictaphones, duplicators, and other miscellaneous office machines.

In the centralized record storage area we keep the outdated production of the other parts of our office service units. When an old form is reordered or a new one designed, we place the retention period on each copy of the form in order to speed up the destruction of old records.

—From an address by DONALD M. BENJAMIN (Executive Director, Lederle Laboratories Division of American Cyanamid Company) before the Westchester Chapter of the National Office Management Association.

ELIMINATING OFFICE "DEAD WOOD"

LITERALLY thousands of dollars can be saved today in offices where management earnestly applies a "dead wood" test to its clerical operations to weed out the unnecessary activities. In companies where this attitude has been practiced only in the manufacturing end, office savings can help shave unit costs even further.

"Dead wood" philosophy critically asks: Do we need this work—is the benefit greater than the cost? It must be applied to every cherished bit of office procedure. Tradition cannot be thrown up as an excuse for continuing a particular method. And some calculated risks should be taken.

For example, the time-honored practice of mailing receipts for premiums received from policyholders was examined, weighed, and then eliminated three years ago by the Mutual Life Insurance Company of New York. The company has picked up an annual savings of $85,000, a Mutual official said, and now they mail

receipts only on request. About 2 per cent as many are sent out as before.

Over the past 10 years, Mutual's forms-control program has whittled down the number of office forms in use from 5,500 to a current 2,117, according to E. T. Ashman, assistant director of planning. This 61.5-per-cent decrease was made possible through the "dead wood" approach, resulting in elimination and consolidation.

Running side-by-side with unnecessary clerical work is perfectionism—which Richard Neuschel of McKinsey and Company, New York management consultants, terms an occupational disease in all offices. Mr. Neuschel points to the field of inventory record-keeping as an example of perfectionism. Management, he says, is spending as much time and effort keeping tabs on its 2-cent items as it is on the $100 items.

Perfectionism is also found in the way companies pay out their money. One publishing company spent $2,000 yearly to check the accuracy of every bill it paid, according to Mr. Neuschel. A survey disclosed that during the year overcharging totaled a mere $100. A spot checking system was substituted for the "perfect" system, and costs dropped.

Most companies could cut their central filing costs by 50 per cent just by refusing to file everything in creation, Mr. Neuschel thinks. The big cost in filing is not space and equipment—which account for only 15 per cent of the total—but the cost of putting the papers in and taking them out. Many companies are filing unnecessary correspondence, like queries from consumers ("Where is your nearest branch office?"). When deciding on what to hold in the file, tests will disclose just how often a particular folder is called for, says Mr. Neuschel.

Furthermore, a lot of filing is being done too perfectly. Such precision as alphabetical filing within a particular folder is too expensive for the benefits received; it just doesn't take that long to find a piece of paper.

Mr. Neuschel sees danger in the attitude: "If it can be done on a machine, let's do it." Such a philosophy, he observes, can lead to a mind closed to cost reduction in the office, and to a situation like that of one highly mechanized company which still had high clerical costs because of idle time beyond workers' control, duplication of work, and use of machines to turn out unnecessary statistics which management, in some cases, never even looked at.

—JACK KIRK. *The Journal of Commerce*, January 29, 1953, p. 1:8.

OFFICE ACCIDENTS: In 1952 the Metropolitan Life Insurance Company, which makes a business of keeping careful records of everything, reported about one accident per working day in their home office, where approximately 15,000 people are employed. People fell on stairs and ladders. Some suffered back strains caused by improper lifting or by attempting loads that were too heavy. Heads were bumped on open cabinets, doors, and files; careless people were hurt on desk drawers or by colliding with others in halls and corridors. Nearly a fifth of the injuries were cuts and scratches. No office is immune to accidents; even the National Safety Council headquarters, where safety is gospel, has had its share of mishaps.

—CHARLES F. ALEXANDER in *Office Executive*, Vol. 28, No. 8

HOW TO USE WORK RECORDS TO TRIM YOUR CLERICAL COSTS

DESPITE THE FACT that records of clerks' production can help office supervisors use their workers' time to best advantage and assist management in budgeting for future clerical needs, many companies dislike the idea of instituting work measurement techniques in the office. Primary reasons for this attitude include (1) anticipation of practical difficulties in working out an effective system and (2) fear that personnel problems may develop when the system is adopted.

Actually, however, most clerical work can be measured economically by a simple daily work count—which can be introduced into practically any office with little risk of creating resentment among the work force.

Even the small office can reap two important benefits from daily production figures:

More accurate planning of future clerical needs. A record of clerical output vs. clerical man-hours usually provides a reliable basis for estimating the number of people needed when work expands or contracts.

Reduction of clerical "downtime" through better work scheduling. Office managers generally agree that much idleness and inefficiency among office workers is a result of poor scheduling of work by supervisors; in fact, this is considered the major reason why nine out of ten offices operate at only about 30 per cent efficiency. If each person records daily work output, supervisors can improve significantly the day-to-day control of work distribution by assigning idle workers to additional projects, shifting some jobs from overtime periods to time when staff is idle, and taking advantage of normal turnover to reallocate work among employees.

Your first step in instituting work counts is to select appropriate units of work—orders, pay vouchers, etc.—to find out how many are processed by the office staff as a group. It isn't necessary for all clerical workers to keep records; adequate figures can be obtained by giving the task to clerks at key points in the paperwork process and providing them with tally forms for recording the total number of units passing their stations during the day. From these daily tally forms the figures should be posted to a weekly summary sheet.

An individual work count involves a few more problems than a simple count of group production. In either case, the program stands the best chance of success if you take these steps:

1. *Sell the program to supervisors and clerical workers.* Even an elementary measurement program such as a work count can stir up resentment among employees unless they understand its objectives.

2. *Time the introduction of the program to get maximum acceptance and cooperation from employees.* If you introduce work counts at a time when clerical workers are relatively idle, they'll naturally be sensitive about having their work counted.

3. *Put an executive in charge of the program.*

4. *Start on a limited scale.* A pilot run will make it easier to iron out the bugs before plunging into a full-scale program.

5. *Check reports periodically until em-*

ployees get the hang of the program. While it's not a major problem, a common difficulty in the early stages is the tendency of a few employees to make out work records inaccurately.

6. *Use job descriptions where possible.* Before establishing an individual work count, some companies have their supervisors make out duty cards for each person in their group as well as for themselves. In the process, supervisors will have an opportunity to spot previously unnoticed inefficiencies in their set-up.

7. *Compile effective reports from the work counts.* Work counts should be made the basis for detailed reports for supervisory or office management, and summary reports for top management, which will indicate productivity trends and serve as budgeting and staffing guides.

The work count should, of course, be set up as a permanent part of management controls. Once the system is established, it can be sustained on a continuing basis at relatively little cost.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), Vol. 7, No. 15.

Improving Typists' Performance

TYPISTS CAN IMPROVE their typing skill by practicing only "20 minutes a day for 20 days," according to a new publication of the University of Illinois Bureau of Business Management. The practice consists of a series of 20 one-minute spurt speed drills specially designed to boost typing speed and accuracy.

Because it requires little practice drudgery and secures definite results quickly, the plan is said to be popular with employees. In one experiment conducted in a large Illinois organization, the average speed of a group of nine typists increased from 73 to 94 words per minute, with an improvement in accuracy from 3.3 to 2.3 errors per typing minute.

A *New Approach to Improving Typing Ability*, by Robert L. Peterson, describes the application of the plan and includes the complete series of drills. Single copies are available on request from the Bureau of Business Management, College of Commerce and Business Administration, University of Illinois, Urbana, Ill.

Clerical Work Simplification—Can It Backfire?

OFFICE COSTS were reduced at Detroit Edison by reversing modern trends toward assembly-line methods and making clerical jobs more complicated, according to J. Douglas Elliott, billing supervisor. Monotony, he points out, can be expensive. When a time-and-motion study shows a clerk has to leave her desk seven times a day to walk 20 feet to file an item, the tendency is to put a file next to her desk, limit trips to one a day, or let a messenger make them.

But the trips did break the monotony. Without them, the clerk may waste time saved in longer relief periods, day dreaming, or decreased output.

A study of accounting and billing costs of 122 United States electric utilities has shown, Mr. Elliott says, that mechanization and specialization too often result in job monotony. Possible consequences: lower morale, increased fatigue, frustrations, absences, grievances, and reduced quality and quantity of work. Monotonous jobs are wasteful in failing to utilize the worker's potential.

—*United Personnel Newsletter*

WHITE-COLLAR CROOKS

THAT CHECK you cashed yesterday was one of the more than 60 million cashed by Americans every banking day of the year. And if you are not careful, that check you write tomorrow may wind up in the hands of a fast-growing band of "check artists"—the check raisers, forgers, and counterfeiters.

In America $150 is handled in checks for every dollar in cash. The number of checks written and cashed today is four times the 1939 total.

Along with this tremendous upsurge in the use of checks has come a constant increase in the number of crooks seeking easy money through forgery and counterfeiting. Latest estimates indicate that check artists take the American public for more than $400 million each year, a sum greater than the annual loss through fire. Check fraud is the fastest-growing crime in the country.

There are six principal types of check fraud: (1) altering the payee name, (2) raising the amount, (3) altering the date, (4) counterfeiting existing checks, (5) concocting fictitious checks, and (6) forging signatures, either of the drawer or endorser.

For the victim, check raising is one of the most dangerous forms of swindling. The check itself, and the signature (which often comes in for the closest scrutiny when the check is cash), are both genuine. Furthermore, the problem of proving that the check was raised rests with the person who drew the check.

Many check raisers obtain the raw material of their craft by stealing checks. Check crooks will steal not only checks but bank statements and canceled checks so that they can learn how the victim's bank account stands and how he draws his checks and signs his name.

Altering the payee name was a ruse often used by one crook who, though so crippled by arthritis that he could barely write, succeeded in clipping banks for close to $25,000. He would grab letters from the piles stacked on mail boxes in the lobbies of busy office buildings during the late-afternoon rush and alter the names on checks secured in this way.

Date alterations have been used to cash "stopped" checks. One such check, originally drawn in 1946, was successfully cashed in 1949 after the alteration of a single figure.

Counterfeiting calls for the skillful production of reasonably exact replicas of actual checks. But some counterfeiters create original checks of their own. They may use the name of a legitimate bank or business firm though the checks may bear no resemblance to the real checks of these concerns. Sometimes, however, the whole thing may be completely fictitious. An unsuspecting department store in Memphis, Tenn., cashed a check drawn on "The East Bank of the Mississippi," and one confident swindler signed her checks "E. Normous Wealth." One forger was so skillful that government experts could not distinguish his forgeries from the real thing and refused to exhibit them in court lest they confuse the jury.

Among the leading check artists of all time was Alonzo James Whiteman—"Jim the Penman"—described by the Pinkerton Detective Agency as "beyond all doubt the ablest criminal in the U. S." Whiteman's most outstanding swindle involved a haul of a mere $580 from a New York bank. Cunning enough to secure acquittal of the charges, he then had the

audacity to sue the bank for false arrest. The bank was obliged to settle for an an additional $3,000.

Whiteman's confidence ran so high that on one occasion, having spoiled a bank draft while attempting to alter it, he deliberately burned part of the draft and returned it to the bank for redemption.

Early attempts at protecting checks included perforating figures in tiny holes, but this was not too successful. What had been punched out could be replaced. The problem was finally solved by the development of a check-writing machine that macerated the amount into the paper with indelible ink. In this way, the figures became a part of the paper and could not be removed or altered. Modern variations of this early machine now protect up to 1,500 checks an hour.

Development of a genuine safety paper came later. This paper, which cannot be bought except in final check form, has never been successfully counterfeited. A rash of hidden "voids" appear as soon as chemical eradicator is applied.

Although the check protection industry has closed most of the loopholes, opportunities for check fraud still exist. Perfect protection still depends on the care exercised by check users. And a knowledge of the average person's carelessness with checks is the main weapon of the check crook.

—*Best's Insurance News*, February, 1954, p. 77:4.

Human Relations—The Clerical Supervisor's Biggest Headache

PROBLEMS in human relations—especially discipline of employees—worry supervisors more than making out reports or overseeing production, according to the findings of a survey conducted among 397 clerical supervisors by the personnel office of California's Department of Social Welfare.

Supervisors ranked disciplining workers as their most difficult and recurrent problem. Whereas difficulties with procedures clear up in time, problems with workers as persons tend to persist, the supervisors said. Disciplining workers was ranked as the most difficult and recurrent problem.

Few of the respondents had had any training in how to supervise before they actually took the job. Forty per cent had been tried out on the job but before their official appointment. Less than 12 per cent had had any training on their own to prepare them for supervising, and less than 11 per cent got training from their own organization before taking on supervisory tasks.

Most of those questioned said they wished they had had training from their own organization before becoming supervisors.

They valued this kind of training more than any other, but also saw merit in (1) training by the employer within the first two months after appointment as supervisor, (2) trial without official appointment as an understudy to a supervisor, and (3) taking part in a supervisors' conference made up of supervisors entirely within the trainees' own organization.

Of the 397 who answered the survey's questions, 65 were in private industry, 43 worked for the federal government, 278 for state government, and 11 for other governmental units. Most of the respondents were mature women who supervise five to 10 clerical employees and had been supervisors for two to five years.

—*The Supervisor* (Foremen's Association of America) 12/53

The Stork in Partnership

WHAT TO DO WHEN trained women workers stop work to have babies? The answer worked out by Edwards Brothers, Inc., a Michigan lithographing firm, is simple: Take the stork into partnership.

Much of the work in Edwards' composition department is done by skilled typists using expensive equipment. Training new operators is expensive and takes much time.

So the firm bought additional machines. Now, when a girl enrolled in the program leaves to have a baby, a machine is moved into her home. In spite of the investment in additional machines, not only has overhead been reduced but quality of composition has held up—and speed has actually increased. As a result, the firm has been able to reduce rates on composition.

The girls—15 so far—who have been working under the system like it, too. It permits them to continue earning at a time when added income is important. The basic system is built around 40 hours' work per week, but paid on a piece-work basis. Some home workers have done their scheduled amount of work in 30 hours and asked for more—a request which the firm has to refuse because of complications with wage and hour laws.

Many girls who would have quit working after the baby came continue to work at home, and many who had previously left the plant because they were needed at home have been re-employed through this arrangement.

—*Nation's Business* 3/54

Also Recommended • • •

HIGH SCHOOL "COOPERATIVES" DO THE JOB. By Robert M. Smith. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), February, 1954. 25 cents. How student teams from 36 high schools in New York City help ease the clerical shortage and gain academic credit and practical experience by working on alternate weeks in offices, retail shops and hospitals. Of the 3,500 students placed annually under the cooperative plan, less than 2 per cent drop out of school and over 80 per cent are employed full time by their firms after graduation.

HOW FIVE MAJOR COMPANIES USE THE ELECTRONIC CALCULATOR. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), Vol. 23, No. 11. 35 cents. While the five companies cited here originally installed electronic data-processing equipment to handle specific high-volume tasks, they are quickly finding additional uses, this article points out. The Detroit Edison Company, for example, uses its computer not only for computing meter readings and billing customers but for solving such special engineering problems as determining line losses between power plants and interconnection points to effect more efficient transmission.

HUMAN RELATIONS: BUILDING A NEW ATTITUDE. By Aaron Q. Sartain. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), February, 1954. 50 cents. Three factors have tended to make office workers more contented than hourly-rated employees, the author says: small work units, narrower social difference between employee and management, and better opportunities to win promotions. Pointing out, however, that as clerical staffs expand discontent may be on the rise, he outlines some suggestions on how office managers can improve their human relations by helping workers solve their problems, delegating authority, and stimulating workers to do a better job.

THE PARADE OF PAPERS. By W. H. Conant. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), Vol. 23, No. 11. 35 cents. The best way to curb the accumulation of superfluous office papers is simple, the author states: Don't produce them. He suggests that a termination date should be placed on all forms or reports, that an older form should be dropped whenever a new one is added, and that all files which are authorized should be indexed to show who is responsible for starting them.

THE PLANNED APPROACH TO PRODUCT DIVERSIFICATION

W. E. HILL
William E. Hill Company, New York

MANY COMPANIES throughout the country are asking some very searching questions today regarding the future development of their sales and profits, and, in turn, their organization and facilities. Inevitably, in many cases, the question of product diversification arises for management's consideration.

Actually, the planned approach to product diversification is only 20 years old as a corporate concept. While it is now an established practice with a number of highly successful companies, it is only recently that it has become recognized as a new and specialized tool of management. Even today there are a hundred companies chasing new products unsuccessfully for every one using a well-organized and planned approach.

ADVANTAGES OF DIVERSIFICATION

Historically, we are all familiar with the fact that an analysis of companies with unbroken dividend records usually discloses continuing and sound new-product development as the underlying basis responsible for their progressive growth and prosperity. DuPont forecasts that in 1970 at least 60 per cent of its income will be derived from products either unheard of now or only in their infancy.

Among the more significant advantages of product diversification are higher return on investment, enhancement of market value of stock, stability of sales and profits, and expansion in sales and profits. Planned product diversification permits the attainment of specific objectives in the expansion of a company, and reduces the time and risk inherent in such an undertaking.

Diversification is essentially a difficult job to accomplish successfully. It may not be achieved for two, three, or four years. Because there is no easy or quick method of achieving it, proper planning and organization are vital requisites in launching a diversification program.

The advantages to a company of such a program are many. For example, specific objectives or goals can be established for the future development of a company, with full understanding on the part of everyone involved (management, directors, and stockholders) of what these objectives are and where the company is headed.

The advantages of various methods of obtaining new products can be predetermined—whether acquisition of companies, product development, or other practices better suited to the company.

Moreover, a company can capitalize on its unique strengths by entering specified fields requiring the company's particular abilities and character. Random entry into product fields where the company has no peculiar advantages offers far less opportunity and can often damage the future of the company.

From an address before the Third Annual Seminar of the Associated Industries of Massachusetts.

Workable specifications prevent costly frustrations experienced by many companies in attempting diversification without a definite program. They also permit quick identification of desirable prospects and prompt elimination of unsuitable situations.

Concentration in specified growth fields enhances the prospects for long-term future benefits to the company. Diversification in the favorable environment of a growing industry greatly increases the company's opportunity for future growth and profits, and avoids acquisition of miscellaneous companies and products based solely on appraisal of their past records.

Organization of diversification efforts in a special department prevents executives from being diverted from their regular duties, and permits economies based on professional and specialized techniques. Finally, planned diversification points out what a company has to work with in its diversification program, and what the company must do to sharpen its "financial trading weapons" for most effective results.

WHO SHOULD DIVERSIFY?

Not every company should undertake the diversification of its existing product lines. Nor can every company carry out a planned program even if it has one. How, then, does a company qualify?

To determine objectively whether it qualifies for diversification, a company should ask itself four basic questions.

1. Is it unable, due to conditions beyond its own control, to meet its objectives in its own field?

2. Is it just seeking "greener grass" or the easy way out of the consequences of its own managerial ineptitude?

3. Is the organization free of "corporate arteriosclerosis"? This is the term used by Morehead Patterson, President, American Machine & Foundry Company, to describe the type of management (including officers and directors) which is unable to adapt to the new types of thinking required in building a sound corporate position in a new product field.

4. Does management fully appreciate that a diversification program is usually for long-term company development? Results will not show up in a financial statement in a matter of a month or two. Diversification should not be a matter which management talks about when business is poor and sidetracks when business is good.

PLANNING AND ORGANIZING THE PROGRAM

Three activities are most important to a company in successfully carrying out a major product diversification program. The first is the imaginative layout or "blueprint" of the program. The second is the skillful organization and conduct of this specialized work. The third is to get the company's financial and corporate "trading weapons" in readiness to develop or acquire new products and companies.

This "blueprint" stage is essential to guide, direct and budget the company's efforts and investment in diversifying its operations. It formalizes the company's new product activities and reduces the time and risk inherent in entering new product fields. There are six principal aspects of the development of the "blueprint":

1. Determine the objectives of diversification and establish goals in sales, profits and other corporate requirements to be achieved through the establishment of this program. If it takes an average of seven years to complete the engineering and development of an automatic ma-

chine, a company may find non-machinery products will more quickly realize growth in sales and profits.

2. Evaluate the company's corporate strengths, tangible and intangible, as a base on which to build the new products program and to capitalize on the existing abilities, skills, assets and character of the organization in entering related fields.

3. Set up specifications for the selection of new product fields based primarily on the corporate objectives of the diversification program and the corporate strengths of the company.

4. Select broad but well-defined product fields with sound future prospects that fit the objectives of the program and capitalize on the corporate strengths.

5. Determine whether product development, product acquisition, company acquisition, or a combination of all three is best suited to the company's needs. These methods are listed in ascending order of desirability for speed and low cost in achieving results. Even companies with somewhat limited capital resources have achieved successful diversification by acquisition.

6. Establish a specialized organization. Concentrate the search, appraisal, negotiation and integration activities under one man, usually reporting to the president. Train this man in the established practices of commercial research and commercial development, and see that he gets a continuous flow of new product ideas for screening and appraisal in line with the established specifications.

Organization of the product diversification activities is a fulltime and continuing task which includes the selection, appraisal, acquisition and integration of new companies and products. This is specialized work, not a part-time job for one or more otherwise-occupied executives.

The paramount principle in a comprehensive program is to diversify into product fields that will be a commercial as well as a technical success. This requires the predetermination of the commercial prospects of new product fields. Rockwell's Facility Purchase Formula is a particularly well-developed guide for this type of predetermination.

Without this approach, diversification can be a sorrowful business. There are many costly examples from which a company can benefit by first organizing a specialized activity in this field for the selection, appraisal, acquisition and integration of new companies and products.

The practice of factual, unbiased evaluation of the commercial possibilities of new products and new companies can become a valuable characteristic of a company. DuPont is the classical example in American business today of this approach to successful diversification.

The planned approach to product diversification specifies a company's goals, identifies growth fields which use the company's unique strengths, and concentrates efforts in markets that will achieve *commercial* success in company expansion and development.

TO 100 LARGE corporations went 64 per cent of the $98.7 billions in defense contract awarded in the three years that ended last June 30th—approximately the period of the Korean war. General Motors led with 7.2 per cent of the total; Boeing was second with 4.4 per cent, and General Electric received 3.6 per cent.
—*Credit and Financial Management* 3/54

HOW EFFICIENT IS YOUR PURCHASING OPERATION?

As MANAGEMENT has increasingly come to realize, purchasing operations account for a very substantial part of manufacturing expenses—frequently the greatest single factor of cost. Figures from the U. S. Department of Commerce show, for instance, that an average of 58 per cent of what the Department terms "the manufacturing dollar" goes to procure supplies, equipment, and materials.

The procurement function should not be narrowly defined, however, as a matter of prices paid for supplies. It involves many other factors (the best rate of inventory turnover, for example), all of which are ultimately reflected in the company's profit picture and vitally affect the firm's competitive position.

Today's purchasing executive, besides negotiating with vendors for the purchase of materials, is concerned with a wide variety of responsibilities, which may range from advising management on capital expenditures to checking the physical layout of the store room. In the last analysis, however, the major burden of his job is avoiding waste and loss: discovering and correcting profit leaks in his department that may have been overlooked through habit or long familiarity.

Are your purchasing practices designed for—and operating at—maximum efficiency and economy? The 20 basic questions, which follow are intended to serve as a means to realistic self-evaluation in this critical area:

1. Do you have an up-to-date chart of organization, clearly defining the duties and responsibilities of each officer?

2. Do all of your employees report to one supervisor only, or are there duplications of authority?

3. Do you know the cost of a purchase order, including clearing the invoice and writing a check?

4. Do you have standards to control rush orders or is money wasted by indiscriminate use of "rush"?

5. Are all purchases made against written requisitions, or do you overbuy because of verbal requests?

6. Are requisitions prepared against bill of materials or by guesswork?

7. Do you have a simplified method of placing small orders, or is the cost of the purchase order greater than the value of the material?

8. Are all contacts with vendors handled initially by purchasing, or is the time of production and executive personnel wasted needlessly?

9. Do you have a purchase budget or any other plan that you can use as a guide?

10. Do you have a follow-up system, or do you know that something was not delivered only if there is a production delay?

11. Are delivery receipts and inspection reports sent to purchasing without delay, or do you lose cash discounts?

12. Do specifications provide the inspection department with a basis for testing deliveries, or do they have to check back, causing delays?

13. Are receiving, inspection, and stores set up for the most efficient flow of work?

14. Does the physical inventory count match your stock records?

15. Do you know the most profitable rate of turnover for each item in your

inventory, or are you losing money through over- or under-stocking?

16. Do your purchase records show your previous prices and suppliers, or do you have to guess when reordering?

17. Are you satisfied with the co-operation between departments?

18. What percentage of your payroll for purchasing, receiving, inspection, and stores is for overtime?

19. Are you satisfied with your office procedures, and do you get all the statistics and data you need?

20. Have you analyzed the underlying causes of what you feel is your major headache?

—From *The Key to Purchasing Efficiency: A Guide for Evaluation.* Alfred M. Sutter and Associates, 141 East 44 Street, New York 17, N. Y. Copies of this pamphlet, which includes a chart for calculating purchasing costs and a graph for self-appraisal, are available gratis from the publisher.

Cost Cutting—The Balanced Approach

HOW'S YOUR sense of balance? You'll find it mighty important when the pressure is on for reducing costs. A systematic, balanced approach avoids inefficient extremes: half-measures on the one hand, "hog-wild" cuts on the other.

Sometimes, in the rush for hasty savings, we only postpone our costs—and eventually, it may take more dollars to repair the damage. For example, cutting costs on periodic maintenance checks may later mean costly major breakdowns.

Striking the balance calls for keeping a sense of perspective in determining when, where, and how to cut costs. It may be well to keep some basic guides in mind:

1. In approaching cost reduction, consider the importance of each function, job, activity, program, and item on which money is being spent. Try to set some priorities.

2. Evaluate the possible effects of cost cuts so that essential functions and service are maintained.

3. Consider big cost items first. Reductions here can be more rewarding than across-the-board action on a number of small items.

4. Search for new ideas and improved methods which will lead to permanent cost reductions.

Above all, approach cost-cutting problems with a balanced combination of ingenuity and patience—action and planning—enthusiasm and control.

—*Management Information* (Elliott Service Company, 30 North MacQuesten Parkway, Mount Vernon, N. Y. 2/1/54

AMA MANUFACTURING CONFERENCE

The Spring Manufacturing Conference of the American Management Association will be held Monday through Wednesday, April 26-28, at the Hotel Statler, Cleveland.

INSTALLING A PLANNED MAINTENANCE PROGRAM

PREVENTIVE MAINTENANCE has become an industrial colloquialism. In a sense, it is a misleading one. For no maintenance system can eliminate all breakdowns.

A better term, less likely to be colored with wishful thinking, is "planned maintenance." This connotes a method of action, a way of doing things. The planned maintenance system described below is in use in a number of plants in Canada. It is simple, flexible and relatively inexpensive to install and operate.

The first step, as in any maintenance system, is to number each piece of equipment to provide a positive means of identification. Complex machines can be broken down into smaller units and repair histories kept for each unit.

A card is prepared for each item by equipment number. These cards are the information center for maintenance. Technical data in summary form is entered on one side of each card and a history of repairs on the other. Only major repairs, or those deemed to be important, are recorded.

The cards should be reviewed on an engineering basis once every six months to spot repetitive repairs. This gives data from which the plant engineer can (1) determine what jobs occur with sufficient frequency to justify a methods study; (2) recommend the replacement of high-cost items with new equipment; and (3) recommend redesign of existing facilities. The cost data can also be used by maintenance as a source of information in preparing budgets.

The equipment record card provides space to show inspection and lubrication requirements. These are divided into two classifications: routine (performed regularly once a week or oftener), and periodic (performed less frequently). In order to schedule and keep track of this work, a tickler card is prepared for each piece of equipment. These cards show the equipment number, name and location; indicate the time interval; and provide space for recording the dates the work was done.

The second category of maintenance operation, non-recurring planned work, includes repairs, alteration, and installation. In all cases paperwork is necessary to authorize the job, follow it up, and collect charges for labor and material.

Jobs in this category are covered by work requests or work orders. Work requests can be raised by either operating or maintenance staffs. Time and material are charged against the work center or the department where the work is done. In the latter case, analysis of maintenance charges in a department requires a review of individual work requests.

The maintenance office receives all work requests and determines whether the work will exceed a certain estimated dollar cost, in which case a work order will be needed. Once a job has been placed in the work order category, the cost for labor and material must be estimated and the proper approvals obtained as set out in standard procedures.

The effectiveness of maintenance can be measured by analyzing the number of work requests originated by production and the number raised by maintenance. A good maintenance department will initiate the majority of such orders, since they will try to repair equipment before it breaks down.

The last category of maintenance work is emergency work, which comprises jobs

that must be completed immediately, to the exclusion of all others in order to minimize down-time.

Such jobs must be done without regard to paperwork, which can follow in due course. To meet system requirements, time and material are charged to the equipment number. A work request is prepared during the repair time or immediately afterwards, and the fact that the job was done on an emergency basis is noted. Emergency jobs whose costs exceed the work request maximum are converted to work orders later, if required, by the maintenance office.

Routine work, non-recurring planned work, and emergency work are integrated and coordinated by means of load charts and daily orders of work. The first step in calculating loads is to analyze work in terms of the three components by available skills, using a Gantt chart. The estimated time required for routine work is plotted for each week on the chart. This time is reserved; the balance is available for planned work and for emergency work.

To establish how many hours should be reserved for emergency work, one must use judgment at the start, based on past experience. This work may run to one-fourth or one-third of total available man-hours. The remaining hours are available for planned work.

Since time required for requests is relatively constant, this quantity is deducted next, leaving a new net balance of man-hours by skills for work orders. It is at this point that maintenance can estimate when a specific job can begin, when it will be completed, and whether the maintenance force is balanced with the work load.

By reviewing all the work orders and plotting them individually on the chart, making sure that all skills required for a job are available as needed, maintenance builds up a forward load by weeks. Progress lines are plotted as work progresses, to determine whether the schedule is being maintained. New work can be scheduled by inspecting the chart; work already scheduled can be moved to meet new requirements. Inspection of loads by skills reveals whether or not maintenance is overstaffed or understaffed. Six to 10 weeks is a normal forward load for any trade.

Compact plants that cover a small area can generally operate with functional trade groups handled by a foreman. In large plants, it may be necessary to have area foremen responsible for all work in their area by all trades. Sometimes this responsibility is reduced by having an area foreman supervise certain trades, while a plant-wide foreman supervises all the work done by one skill, such as millwrights. In other cases, the division of work can be made on the basis of equipment.

The maintenance office is responsible for certain operating reports to plant management. These may include: (1) a weekly report describing the progress of major jobs, such as new construction, or installations, major overhauls; (2) a monthly report on completed work orders, including a brief description of the job, estimated cost, and actual cost, explaining any major discrepancies; (3) a monthly report on the maintenance department's forward load by skills, which can be used to judge the size of work crews, use of outside contractors, and timing of major jobs; and (4) a monthly report on turnover of maintenance stores and actual versus budgeted stores positions in dollars.

—W. P. Armstrong. *Plant Administration*, Vol. 13, No. 12, p. 45:7.

Also Recommended • • •

GOOD HOUSEKEEPING IN THE PLANT. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. Employees can be stimulated to take pride in keeping their own departmental areas clean if management takes the lead with a well-publicized program and with initial steps such as repainting dingy areas, marking aisles clearly, and providing proper equipment. Twelve guides to good housekeeping are listed.

AUTOMATION. *Bulletin of the Business Information Bureau* (Cleveland Public Library, 325 Superior Avenue, Cleveland 14, Ohio), Vol. 24, No. 4. 10 cents. An annotated list of references to books, technical papers, reprints, magazine articles, and special reports on what automation is, how it has evolved, what it will mean, how it will affect manpower, and what factors determine its success. References are made to such examples of automation in practice at Ford Motor Company's Engine Plant in Cleveland.

QUALITY CONTROL METHODS—THEIR USE IN DESIGN. By Dorian Shainin. Reprinted from *Machine Design* (Reader's Service, *Machine Design*, Penton Building, Cleveland 13, Ohio). 63 pages, $1.00. This series of 10 articles illustrates for the machine designer the applicability to his field of statistical methods originally developed for production quality control. A 10-point outline of the basic steps in operations research is included.

IT'S TIME TO ADOPT REALISTIC DEPRECIATION RATES. *American Machinist* (330 West 42 Street, New York 36, N. Y.), March 1, 1954. 50 cents. Outlines a five-point program for Congressional action in the interest of allowing manufacturers to recover their investments in new machines more quickly. Manufacturers should be allowed, the article states, to choose their own depreciation rates (up to a 50-per-cent maximum the first year), but should be required to keep the rate.

AUTOMATIC CAFETERIAS. *Management Methods* (141 East 44 Street, New York 17, N. Y.), February, 1954. 50 cents. Since many workers bring their lunch to the shop and buy only supplementary food items there, cafeteria service is often maintained at a high cost for a small minority. Outlining situations in which automatic food-vending devices might be more satisfactory, this article cites examples where workers preferred unscheduled breaks to regular, fixed breaks which interfered with their piecework.

HOW TO HANDLE A MOVE TO THE SUBURBS. By John P. Treadwell. *Management Methods* (141 East 44 Street, New York 17, N. Y.), February, 1954. 50 cents. How a suture manufacturer, planning to move from Brooklyn, N. Y., to Danbury, Conn., prepared employees for the shift, helped them find housing, recruited additional labor locally, moved equipment, and maintained uninterrupted production. To recruit labor at its new location, the company held a summer training program at the local high school, so that when the plant reopened, 90 per cent of the employees had experience in the operations.

MATERIAL HANDLING ACCIDENTS . . . AN INDUSTRY HEADACHE. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), Vol. 9, No. 3. 30 cents. Prevention of the one accident in three caused by faulty materials handling is discussed in six articles on the proper use of equipment, plant safety, outdoor handling risks, operation of power shovels and cranes, use of wire rope, and general safety precautions. One interesting point: A fork lift truck could pay for itself in less than a year if it did nothing more than eliminate back injuries and hernias.

EMPLOYEE ATTITUDES AND PRODUCTIVITY. By Charles C. Gibbons. Single copies available gratis from the W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich. Every supervisor's goal should be to encourage workers to express freely their ideas on improving job methods, this article states. Outlining some ways of improving communications, it recommends that a trained investigator privately interview both supervisors and workers and present their ideas—without identifying the source—to top management.

THE LONG AND THE SHORT OF BUSINESS PROSPECTS. By Don Colen. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), January, 1954. 20 cents. The business man who wants to know what to expect from the future must realize that the economy has undergone profound changes—that the consumer can outspend industry or the government by better than four to one and that personal savings exceed by three times industry's investment in plant and equipment. Moreover, he must help overcome the limitations of business forecasting by encouraging the government to do more economic reporting, and support research which will open up opportunities for long-range investment.

IS "OLD-FASHIONED SELLING" WHAT WE NEED?

We are constantly being reminded these days that the salesman who knew how to compete for business and had the fighting spirit that makes a good competitor, has either died, lost his pep, or settled into the comfortable, easy life of the order-taker. We are told that the young men coming along have never been under fire on the selling front line and have no heart for the tough, competitive life of aggressive salesmanship.

Actually, the selling opportunity we face today must be thought of in new and different terms. The world has changed very substantially since 1939, or whenever it was that all the salesmen are supposed to have passed out of the picture. The whole scene is different, particularly the needs of consumers and their ideas about what industry should do to meet those needs.

While the modern corporate manager needs all of the vigor, aggressiveness, competitive spirit, and instinct for the right answers that he did in the past, he also needs to know a great deal more about many more subjects than he did in years gone by, and he needs to be a better manager. The management executive has learned the necessity of coordinating his entire organization—sales, service, engineering and production—to meet the requirements of his boss: the customer.

This means that the modern salesman, too, must know more than ever before. We can forget the old notion of the salesman as the happy extrovert who knows people but nothing else. It also means that if our salesmen are to do their jobs, all the rest of the organization must be studying the customer, too—watching his requirements and habits, anticipating his needs.

Selling has always been an inefficient process in the industrial world. Consider the amount of time that a salesman wastes sitting in anterooms waiting for customers or chasing them down for appointments. Consider the time he wastes on unnecessary calls. Consider the time he wastes on one-purpose calls or one-purpose trips when multi-purpose trips and multi-purpose calls might be arranged. Consider how little we know—in spite of all that we *do* know—about markets, market demand, and market saturation.

All men of management, whether policy makers, salesmen, production men, designers, tool makers, or cost analysts, are finding that we must constantly study our present and potential markets. We should constantly be applying the research stethoscope to get a close and accurate diagnosis.

Potentialities for progress in the field of marketing analysis are very great today. New techniques have been developed for judging consumer reactions and public opinions. A vast amount of statistical data is available to the seller who wants to get the facts.

Engineering research must be closely allied with marketing research. Looking ahead five or 10 years into the future, we must anticipate how advancing technology is likely to affect our business, and what problems or opportunities are currently being created. The final value of engineering research is measured by the degree

to which it can be harnessed to our sales effort, or vice versa.

No field of research is more important to selling than is manufacturing research. The high-cost producer is always in danger and has the toughest selling job. It is of the utmost importance to members of a selling organization that they do everything within their power to help their production associates develop and maintain adequate cost and profit margins. It is one of the challenges of our times to the salesman and the sales manager to achieve cooperation with manufacturing researchers.

The selling function should be visualized in its relation to the other functions of a business. Selling requires more than energy, a happy smile, and fast talk; it is a complex function which challenges the best in able and vigorous men.

True, not every aspect of the sales picture has changed since 1939. Now as then, the salesman who makes no calls will sell no products, and the salesman who makes many calls will get many orders. The well-informed enthusiast will get more business than the ill-informed pessimist whose boiler pressure is low. Well-directed and well-led sales-minded people—instinctively competitive, anxious to make a name for themselves—will do better in selling (and everything else, probably) than the fellow who wants to take only the easy chores.

But today's challenge calls for the development, to a far greater degree, of competitive cooperation among all the departments and divisions and functions of a company. It demands the development of a far more general awareness of the contribution which every department and division of a business can make to the net sales result: orders, more orders, repeat orders, satisfied customers, and profitable operations for the company.

—EDWIN J. SCHWANHAUSSER. *Industrial Marketing*, February, 1954, p. 68:3.

COMPANY RETIREMENT PLANS FOR SALESMEN

DO OUTSIDE salesmen share in the growing demand of American wage earners for social security measures? Or do they prefer the risks of fending for themselves?

If company old-age pensions and other benefit plans have a value, how can they be financed, and fitted to the peculiar circumstances of salesmen's pay and working conditions?

These are some of the questions investigated in a recent nation-wide questionnaire survey conducted jointly by the National Sales Executives and the Bureau of Business Research of Ohio State University. Following are some key findings of the survey, which covered 508 companies employing a total of 56,214 salesmen:

Of the 508 firms included in the tabulations, 247—or 48.6 per cent—offer pensions to their sales forces. In addition, 104 companies, or 20.5 per cent, reported that such plans are now under consideration. Only 22 firms operate pension plans from which salesmen are specifically excluded.

More than half of the manufacturing companies replying sponsor salesmen's pension plans. Among insurance firms

and public utilities, nearly all replying companies operate such plans. Coverage of outside salesmen is not as common in wholesale and retail establishments, agent or brokerage houses, or service organizations.

Companies selling to nation-wide markets are much more likely to provide salesmen's pensions than regional or local sellers. Firms selling industrial goods operate a slightly higher percentage of the pension systems examined.

Pensions were found in sales forces of every size. Of 273 companies with 25 salesmen or less, 31.8 per cent offer retirement pay to salesmen. In the 145 companies with 26 to 200 salesmen, pensions are provided by 66.2 per cent. When the sales force is larger than 200 men, coverage is almost unanimous.

Sales personnel turnover in moderate amounts was reported by more firms with salesmen's pension plans than by those without them, but the rate of turnover is not so frequently severe where pensions are used.

Every type of compensation plan for salesmen is used as a basis for accumulating retirement funds. While 111 salesmen's pension systems reported are tied to a straight-salary or salary-bonus plan, in 75 companies salary-commission plans are used with pensions, and in 50 cases commission-only, commission-and-drawing account, or commission-bonus plans are involved.

Responses to the survey indicate that one of the chief values of pensions is the holding of older, more valuable men on the sales force. On the average, companies with pensions obtain at least seven more years' total service from salesmen, and at least four more years' service after peak productivity is reached than companies with no pensions.

Easing the salesman's job as old age approaches is a policy followed by few companies. In 245 firms, no action is taken so long as salesmen are fit for work. Although 117 of the companies (all but two of them with pension plans) enforce compulsory retirement of salesmen, only 58 take any routine steps to ease men's transfer to inactive life. Interviews, review of personal finances, and advice by company executives are offered in 41 cases. A "tapered off" work load is arranged by 30 companies.

While unrestricted membership improves the actuarial basis of private pension plans, many companies exclude very young salesmen, short-term and part-time employees, and late-comers who join the organization near the retirement age. A minimum service period, usually five years, is enforced by 198 companies.

Who pays the bill for salesmen's pensions? A retirement fund which is independent of company earnings is preferred by most sponsors. Of the 247 plans studied, only 12.5 per cent are funded by a profit-sharing formula based on earnings. Regular fixed amounts are paid to a life insurance company by 129 companies and to a trust by 78 companies. Frequently two or more pension plans or two or more financing methods are used by the same firm.

Salesmen's contributions, averaging 3 to 4 per cent of each eligible salesman's gross earnings, are used to swell the retirement fund in 138 or 55 per cent of the plans reported. But in 98 of these contributory plans, employers' contributions are greater than those of salesmen.

Some retired salesmen now receive annual benefit payments as high as $25,000. However, only 78 companies reported payment of more than $1,000 per year to any one salesman, and only 42 of these

paid more than $3,000 to any one man. These data may not be conclusive, since only 120 reporting companies, or 48.5 per cent of those sponsoring pensions for salesmen, now have retired salesmen who are receiving benefits. Within this group some benefit payments are very low. A ceiling on benefit payment to retired salesmen is imposed by 90 plans, or 36.4 per cent of the total studied.

The median cost of maintaining a pension plan among sponsoring companies that submitted cost data was between $200 and $299 per covered employee in 1951, not including employee contributions.

Promotion of loyalty, goodwill, and public relations was most frequently cited as the chief advantage experienced by companies using salesmen's pension plans. Where advantages were cited, the problem most frequently listed as being of greatest significance was the high cost of current financing.

—*Retirement Income Plans for Outside Salesmen*. By H. H. MAYNARD (Ohio State University) and PHILLIP MCVEY (Case Institute of Technology). Published by National Sales Executives, Inc., 136 East 57th Street, New York 22, N. Y. 63 pages. $2.00.

"Our product has met with an unprecedented consumer demand. They all want their money back!"

LAUNCHING A SALES-TRAINING PROGRAM: ONE COMPANY'S EXPERIENCE

SHOULD NEW SALESMEN be hired when production is sharply increased—or is it wiser, in a tight market, to equip the present sales force with the tools necessary to step up their performance?

This was the problem facing management at Union Bag & Paper Corp. Its decision: to increase the selling effectiveness of its present force of salesmen. That required a well-rounded sales-training program—which in Union's case had to be developed from the ground up.

The job of sales training was broken down into the following major areas: (1) refresher training for salesmen currently on the payroll; (2) indoctrination and orientation for new sales personnel; (3) training field sales supervisors to train their men better; (4) training personnel in the sales department other than salesmen; (5) supervisory training for management development.

So far, most training efforts have been concentrated on refresher training for present salesmen. The objective in this area is to give every one of Union's 175 salesmen three full weeks of refresher training within the first two years of the program.

In the first session, the sales force was called into headquarters in three groups of approximately 25 each. Each group received one week of refresher training divided between product knowledge and company procedure. Here are some of the topics covered: analyzing the elements of your job, how to plan your time and organize your work, analyzing the types of Union sales, how and why people buy, breaking the ice through effective approaches, basic sales objections and resistances and how to overcome them, making a group sales presentation, and making claims and proving your case.

At the end of the first semester, the salesmen were asked to comment on the program. Some constructive criticism came out of the inquiry. Here are only a few of the suggestions offered: Include public speaking practice; suggest more sales tools; present more case histories; provide more information on new plant equipment; enact real-life interviews; air more sales objections.

Though formulas are difficult to devise for sales-training programs, management felt it came closest to a set of rules in the P-T-S-P-C program, which stands for Prepare-Tell-Show-Practice-Check. In this procedure, the most important factor, of course, is practice.

On looking back over the program, Union executives found that they had been obliged to make several major decisions. They realized that, in reaching them, they had set the pattern for the entire sales-training program.

One problem, for example, was whether to tackle a sales force all in one group or break it down into smaller working units. Sales training, it was felt, requires informality and a close relationship between the leader and participant. Small groups were decided upon.

Another problem concerned top brass attendance at sales-training sessions. It was decided that top brass should be on hand to help kick off the sessions and to lend the proper note of authority. During the actual sessions, however, top brass was not to attend.

Executives wondered whether a social get-together in connection with sales-

training meetings should be held. It was decided not to combine social activities with the sales-training sessions. The men were to understand that they came to New York to work and that they were expected to report each morning at 9—with clear heads.

A decision had to be reached on the type of training to be used. In the area of product knowledge and company policy, illustrated lectures by experts in their fields were favored. But where selling skills, techniques, and human relations were concerned, discussion and participation were to be the aims.

Finally, Union executives had to decide whether the men should be trained by headquarters specialists or by trainees in the field. So far most of the training has been done at headquarters by specialists. However, plans are being made to give the program a third dimension which can arise only from active participation by field sales supervisors.

—FRED H. MEENDSEN. *Printers' Ink*, December 11, 1953, p. 38:3.

HOW TO PICK A TEST MARKET

TEST-MARKETING a new product is like conducting the spring training period in baseball. Somewhere off the major circuits, you're taking the first agonizing steps which may lead to the pennant jackpot—or to oblivion.

You have your critics, as does a baseball manager. In your case, however, they're the retailers, who will determine whether your product is worth buying. As in baseball, it's the customers who ultimately decide whether a product will be a money-maker.

Choosing the right test market is as important to you as the right baseball training site is to a team. Your selection can spell the difference between success and failure. Experience has shown that a good test market possesses the following elements:

A self-contained, well isolated economy. The city must not be linked to the trading area of some nearby metropolis, since this would affect consumer buying habits.

Diversified population of average cultural level. You want to be able to sample as wide a range of consumers as possible. At the same time, you want to expose your product to an audience which will be typical of a given U. S. area.

Average income. Though this factor is always important—even with mass-consumer items—it's particularly important for products which are in the luxury or semi-luxury class, such as perfumes and jewelry. Obviously, a city with a much higher or much lower-than-average income could easily produce a distorted test.

Average level of business activity. As nearly as possible, business volume should maintain a plateau throughout the year, since any seasonal deviations in either employment or production will be reflected in retail sales. In addition, the level of activity should be typical for the size of the city; for example, a city of 300,000 that has the business activity of a normal city of 450,000 can throw off your strategy.

Well-diversified industries. If the city you select is tied to a single industry, it may be a "boom" town and consequently

will enjoy abnormally high retail sales. If this industry should hit a slump or suffer a strike, retail sales will plunge.

Suitable distributing outlets. You should have many types of outlet for your product. If it's a packaged food, for example, the city must have national and independent chain food stores, supermarkets, neighborhood retailers, etc. In addition, it should have a number of established, reliable food brokers and available warehouse space.

Cooperative advertising media. Willingness on the part of local media to provide you with special studies and to help you with your merchandising can sometimes make or break your campaign.

Compact boundaries for sales efficiency and frequent sales checks. With well-defined boundaries, you can achieve distribution over a geographical area more easily. Since your distribution will stop within certain boundaries, your transportation and other costs will be lower during your introductory period. And you will be able to make frequent checks on sales at a minimum of time and cost.

Representative average sales per family. The buying power of the average family in your test city should be similar to that of the nation as a whole, or at least to that of the particular region in which the cities are located. If the amount of money it has to spend is below the national average, sales of your product will be lower and you will mistakenly take a dim view of its future; if the sales level runs higher than the national average, you will get too rosy a picture.

Thorough advertising coverage at reasonable cost. All major media should be available at the local level—not only newspapers, radio, and television, but outdoor and transportation advertising, too. Each medium should blanket the community, so that you will be able to get your message before large numbers of consumers at a cost that is not prohibitive.

A major requirement of good test markets is this: They have not been overtested. Through repeated exposure to the promotion of new products, retailers often become lackadaisical in their cooperation. And consumers who live in a much-tested market may in time become surfeited from constant sampling of new products.

In one-market testing, you must be prepared for hazards, because of the amazing consumer variations posed by different geographical areas. A distiller, for example, should know that in Cuyahoga County, Ohio, more liquor is consumed than in any one of 25 states. A coffee manufacturer must take into account the fact that southern consumers drink 77 per cent of their tea during the five warmest months. In addition, the favorite size of package varies widely. For example, over the nation as a whole, 59 per cent of root-beer sales are in small bottles. But in the South Central area, 95 per cent of sales for this product are in small bottles.

—PETER HILTON. *Sales Management*, Vol. 71, No. 5, p. 108:3.

THEY WORK AT HOME: You'll do well to find out if your products can be merchandised to the vast do-it-yourself market. A *Popular Mechanics* survey of some 500 persons showed that 8.5 per cent are planning to build new homes, and more than half of these will do some of the work themselves. Another 4.6 per cent have a new home under construction, and almost two-thirds of these are doing some of the work themselves.

—*Advertiser's Digest* 1/54

The Successful Salesman—How Big an Investment?

HIRING SALESMEN is one of the riskiest, trickiest parts of the whole business operation. How much does it cost?

To find out, Dr. Jesse Nirenberg, an industrial psychologist with Trade Ways, Inc., conducted a study recently among 14 companies with sales forces ranging from 55 to 4,000 salesmen. Among his findings:

The amount spent on recruiting salesmen varies widely in these companies. The average amount, $218, includes advertising, traveling to colleges and payment of employment agency fees in some instances, but does not include the cost of interviews. Large companies spend the most on recruiting.

An average of 12 men are interviewed for each salesman hired. Of these, three or four are called back for further interviewing. Seventeen interview hours are spent for each salesman hired; the over-all average amount spent on interviewing is $141 per salesman hired.

Of the 14 companies, nine use psychological testing as part of selection procedure. Of these, five retain a consulting firm for the purpose and generally pay $35 per man tested.

The over-all average spent on training annually for each salesman is $1,019. The largest companies spend the least per salesman in this area.

In all but one company, the new salesman does not earn his pay the first year. As an over-all average, he earns 68 per cent of his pay in his first year, and costs his company $1,521 in compensation loss.

Of salesmen leaving (an average of 8 per cent of the sales force per year), 42 per cent were in their first year of employment with the company. "Failures" (salesmen leaving in their first year of employ) cost these companies an average of $2,496 for each successful salesman hired.

The average total cost of hiring each successful salesman, including recruiting, screening, testing, training, compensation loss (income not earned in the first year), and cost of failures comes to $5,429, with the cost highest for medium-sized companies.

A sales force of 200 men, then, represents a hiring investment of over $1 million. Based on an average 8 per cent turnover, a company of this size spends this amount every 12 years just on hiring successful salesmen, if it maintains its sales force at the same size. If it expands, it spends more.

—*Printers' Ink* 2/19/54

The Cost of Salesmen's Travel—A Survey

A FAIR STANDARD for measuring the cost of keeping salesmen on the road is hard to come by. Size and location of territory, type of product, mode of transportation, quality of supervision—all these affect salesmen's traveling expenses.

An average traveling expense of $3,619 per salesman per year was reported by 37 companies of different types replying in a recent survey. The lowest figure cited by any of the respondents—$1,826 per salesman per year—was reported by a chemical company; the highest, $6,492, by an equipment manufacturer.

Six chemical firms, 15 equipment companies, and 16 miscellaneous firms (including makers of hand tools, paper products, rubber products, and aircraft parts) were represented in the survey. Average travel costs were $2,764, $3,102, and $3,967 respectively for each of these groups. The widest variation in expense was among the equipment companies, which reported figures ranging from $1,846 to the previously mentioned high of $6,492.

—*Sales Management* 11/20/53

Also Recommended • • •

THE MOTIVATION OF CONSUMER BUYING. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), January, 1954. While habit and impulse unquestionably influence consumer behavior, the act of buying is essentially a rational process whereby the "consumer purchasing agent"—in much the same manner as an industrial purchasing agent—acts in anticipation of future needs, this article states. By considering purchasing as a problem-solving process, involving planning, budgeting, and comparison of values, rather than as impulsive, unplanned behavior, modern marketers can better understand consumer choices and their influence upon basic living patterns, the article concludes.

THE CASE FOR CALL REPORTS. *Industrial Distribution* (330 West 42 Street, New York 36, N. Y.), Vol. 43, No. 11. 50 cents. Call reports, this article says, keep the salesman out of the office, yet inform top management of his activities and of business conditions; maintain a record of calls which is later useful for checking results obtained for the time spent; keep mailing lists up-to-date; and provide a gauge for expansion in any given area. Some companies, however—particularly those which pay salesmen on a commission basis—feel that call reports are a waste of time.

DEALER DISCONTENT—ROADBLOCK TO SALES AND PROFITS. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), February 5, 1954. 25 cents. Lists the major dissatisfactions being expressed by trade associations in the auto, appliance, tobacco, drugs, candy, furniture, soft goods, and food industries, as well as by dealers generally. Low profit margins, competition from discount houses, inadequate cooperative advertising and help from salesmen, and unprofitable "deals" are sources of discontent in all industries, the article reports.

BUYING MOTIVES AND CONSUMER SHOPPING. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), February, 1954. Reports on a survey of buying behavior in Boston showing that women purchase something on 80 per cent of their shopping trips—usually in the first store they visit. Thus the shopper informally samples the stores and assigns each a rough probability ratio in conformance with her expectations of finding what she wants there—a procedure of great importance to the whole marketing process, the article points out.

FOR RENT: JUST ABOUT EVERYTHING. *Business Week* (330 West 42 Street, New York 36, N. Y.), March 13, 1954. 25 cents. Covering everything from cake cutters to concrete mixers, the consumer rental business is experiencing both an unprecedented boom and a special set of merchandising problems. Damage to rented items and delayed returns are among the headaches; a boost to outright purchase of consumer goods, among the assets.

HOW THE SOCIAL SCIENCES ARE USED IN ADVERTISING. By Burleigh B. Gardner. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), Vol. 245, No. 11. 25 cents. Supplementing an earlier *Printers' Ink* article on how top executives use social sciences in advertising (digested in THE MANAGEMENT REVIEW for June, 1953), the author states that basically social science tells an advertiser (1) what communications his audience will understand, believe, recognize, value or disparage and (2) what motives and habits regulate their lives. A number of examples are given of the uses of social research in advertising.

LOYALTY DOESN'T COUNT MUCH. *Business Week* (330 West 42 Street, New York 36, N. Y.), January 30, 1954. Loyalty to a particular brand plays a relatively small part in determining housewives' purchases of electric appliances, a recent market survey reports. The company's reputation looms largest in electric range purchases and lowest in vacuum cleaners, where aggressive selling and improved features are decisive. Though it is an important factor in every appliance purchase, price is the housewife's first consideration only if she is buying luxury items such as TV sets.

SPECIAL MARKETING CONFERENCE

A special AMA Conference on the control of marketing costs will be held on Monday and Tuesday, May 10-11, at the Hotel Commodore, New York.

Financial Management

EXECUTIVE COMPENSATION: ARE "GIMMICKS" NECESSARY?

THE USE OF "gimmicks" to help solve executive compensation problems has grown enormously popular in the past few years. These gimmicks range all the way from stock options to profit-sharing trusts, contingent deferred compensation, and the like.

Even gimmicks are basically rewards, and a reward presupposes some contribution on the part of the individual recipient. Yet many so-called security devices, which usually defer income until after retirement, require no special contribution on the part of the individual executive except *past* contribution. The individual executive just has to be around long enough to get on the team.

Profits put into profit-sharing trusts, deferred compensation and the like never built a new company or a new industry. It was the entrepreneurial incentive—the driving urge to make the big profit—that created the very jobs some security-minded executives are now attempting to parlay into a sort of post-retirement bonanza. In my observation, only one compensation device can be integrated into a program for the long-term development of executives. This is an incentive compensation plan that sets aside a specific portion of profits for the executive group and distributes this "kitty" to executives in direct relation to their contribution to company profits.

The key advantages of such an incentive plan are:

It focuses executive attention on profits. Since the size of the kitty is directly related to profits, executives soon become "business men" rather than administrators.

It focuses attention on the profit elements in each job. Every executive must know what his profit responsibilities are if he is to be held accountable for them. This encourages a review of these responsibilities with the executive at bonus time to point up strengths and weaknesses.

It focuses attention on individual performance. If a man is to be realistically rewarded for his contributions, management must measure his performance—in terms of his opportunities—against the performance of other executives.

It focuses attention on strong and weak executives. One large company, for example, uses the percentage of bonus to salary as a key element in judging promotability.

The greatest single threat to any incentive plan lies in the problem of judging the individual's contribution to profits, and consequently his share of the bonus kitty. Recognizing the practical difficulties involved in measuring this contribution, management frequently undermines the long-term value of its bonus plan by setting the bonus as a fixed percentage of salary, paying the bonus to everybody, or permitting favoritism or inadequate study of performance to govern bonus allocations. Another pitfall that often catches the unwary is use of the bonus to correct unrealistic salary relationships.

One of the most important considerations in making any bonus plan work is the necessity for making subordinate

management responsible for the bonuses paid to employees reporting to them. No bonus committee should make allocations without giving subordinate management's recommendations every consideration. Also critical is the need for recognizing the intangible factors that enter incentive bonus calculations. One very successful incentive plan allocates executive bonuses with three major considerations in mind:

1. *The individual's status.* It is only logical that top-level executives should have a higher bonus priority—other things being equal—than the newest man eligible.

2. *The profit contribution.* This usually will be the most important single element in the size of the bonus. It would be a more important factor in deflationary times than in boom times.

3. *The difficulty of the job.* This is an often-overlooked element in setting the bonus. Not infrequently executives in one division, meeting rugged competition, will work unusually hard and turn in relatively poor profits. Another division may have a bonanza year while relaxing in the Stork Club, simply because their competitors are asleep.

A top production executive's profit responsibilities might be listed in part as follows: (1) unit costs, by product, in terms of a budget; (2) quality of product, in terms of rejections and complaints; (3) the meeting of delivery schedules; and (4) the utilization of facilities for lowest cost production.

Under each of these headings—and there would obviously be others—a number of factual yardsticks could be developed to reflect performance.

The same analytical process could be repeated for other top executive positions, always with the objective of setting up factual guides for judging performance within the responsibilities of the job.

No one in management is better equipped to develop such yardsticks of performance than the controller. He already has important responsibilities in assisting top management in the conduct of a profitable business. But his greatest opportunity may well lie in developing the means for appraising executive performance.

—ARCH PATTON. *The Controller*, February, 1954, p. 59:4.

When Do Profits Start?

WHAT IS THE average industrial company's break-even point? Of 161 industrial firms of all types and sizes replying in a recent *Mill & Factory* survey, 79 per cent must operate above 60 per cent of production capacity to show a profit. Forty-three per cent of the respondents say their current break-even percentage is higher than that required a year ago, and 68 per cent state it is higher than it was before the beginning of hostilities in Korea.

Several factors have contributed to raise the break-even point. Most significant are higher manufacturing costs (cited by 52 per cent of the respondents); increased taxes (18 per cent); and lower worker productivity (17 per cent).

One company commented: "The change to a buyers' market, reduced gross mark-up, and wage increases have raised costs and made it necessary to tighten controls, improve methods, and eliminate 'luxuries'. The net result is actually a lower break-even point than during the past four or five years."

COST REPORTS: A PERISCOPE FOR MANAGEMENT

THE JOB OF providing cost information to top management is becoming more vital every day. The increasing complexity of automatic mechanization, high cost plant facilities and high speed operating techniques have multipled the demand for accurate cost facts. In the face of these developments, the controller must be in a position today continuously to recommend action for exploiting new or neglected sources of income. He must suggest ways and means to reduce operating costs. He must arm himself with estimates and forecasts of the cost and profit results of contemplated actions. He must check planned performance against actual performance, and make factual analyses of any deviations from the over-all plan.

The controller can discharge these responsibilities primarily by developing and presenting cost information to management through recurring reports and special reports.

Of the many factors which affect the usefulness of a report, three are of key importance:

1. *Accuracy and ease of interpretation.* Reports must be well planned, accurate, and easily interpreted. Proper interpretation can be accomplished. All related facts should be brought together and correlated. If the interpretation and correlation must be done by management, the effectiveness of the reporting has been lost.

2. *The pinpointing of areas which need management attention.* Cost areas in which management must take corrective action should be clearly highlighted. One of the modern techniques of control, "management by exception," involves the concentration of management attention on areas where performance is below par.

3. *Presentation of all pertinent facts.* The report should clearly reflect whether a given condition is static or whether a definite trend is apparent—and, in the latter case, the causes and extent of the trend, with recommendation for appropriate action.

A very common mistake made in reports is to show only the operating results for the current period. What was performance compared with a month ago—a year ago? What is the current variance from the plan or standard? Is the variance better or worse than the previous periods?

As a general rule, the format of your report presentation will depend largely upon the subject matter and upon management preferences. This does not mean that you should not use your ingenuity in the development of a particular report presentation. In the Ford Motor Company staff controller's office in Detroit, we spoke of "glamorizing" or "Marilyn Monroeing" a report or chart to highlight a situation which merited the attention of management. For example, the amount of inventory in excess of normal requirements can be shown in deep red, while a more staid color can be used for other, less important factors.

The information management needs can be divided into two categories. The first consists of simple, easily understandable comparisons of actual performance against approved operational plans.

For example, at my plant we furnish the plant manager with a simple, concise daily report which reflects the status of operations for the previous day and the extent of variances from established standards applicable to both direct and indirect labor operations in each major department,

as well as in the entire plant. Since it also indicates performance for the past five days and for the previous week, the report reflects trends as well. In most instances, the data contained in the report are discussed with the plant manager and the applicable departmental superintendent. The necessary corrective acton is effected immediately.

The second category of cost information needed by management consists of special analyses on any subject pertinent to the operation of the business. In this area, it is clear that any progressive controller's organization should program long-range cost improvements. Despite the fact that costs in any operational area may be within the standard, there is always room for improvement. This may be accomplished through a methods change, new equipment or tools, revision of the layout, re-arrangement of the flow of work, etc. Accounting analyses and engineering studies will determine the various changes necessary to effect cost improvements. This information should be presented to management for decision.

The activity which gathers and presents cost information contributes to the organization's profit performance just as surely as the sales activity which finds a market for the product or the treasurer who invests surplus cash in government bonds or other securities. Perhaps in time the accountant, too, will be generally recognized as a profit-maker.

—CHESTER M. SURDYKE. *Office Executive*, January, 1954, p. 9:2.

Gauging the Outlook for Capital Expenditures

WILL THE near-record $26-billion new plant and equipment expenditures predicted for 1954 really hold up now that business conditions are uncertain?

That sum is only 6 per cent under the peak outlay of $27.8 billion in 1953, and the talk is that the economy generally may drop some 10 per cent from 1953 levels. But a *Steel* survey shows the $26-billion prediction is not out of line. And a study of the problem by Machinery & Allied Products Institute reveals that combined 1953 new plant and equipment spending was actually below the 1910 level as a proportion of gross national product. Altogether, spending in 1953 didn't quite measure up to what it might have been, based on the capital spending trend indicated by the Institute's projection of the figures for the "normal" period 1910-1930. "Certainly," the Institute concludes, "there is no suggestion of any excess in total investment since the war, nor is there any indication that the recent rate is not sustainable in the future."

In any expanding economy, of course, greater production allows a bigger absolute dollar outlay for capital expenditures, even though the proportion of such expenditures to total output remains nearly constant. Such propitious conditions appear likely to exist in the U. S. for a long time to come.

In the long run, the gross national product will continue to bulk very large. Then, too, business conditions favor capital outlays, according to Henry H. Heimann, executive vice president of the National Association of Credit Men, who believes that the need for keeping production costs to a minimum will require the most modern and efficient plant and equipment. Surveys made by the NACM indicate that capital investment programs will be maintained at "a very high level."

—*Steel* 3/15/54

How Business Fluctuations Affect Consumer Spending

WHY DO consumers buy at certain times, save at others? Standard economic theory—and a wide section of opinion among businessmen—has always held that inflation and the prospect of rising prices lead to increased consumer purchases. However, a recent survey* by the University of Michigan's Survey Research Center reveals that:

1. High prices and inflation in the general economy discourage rather than encourage consumers to purchase postponable items such as furniture, house furnishings, refrigerators and automobiles.

2. Even in a period of inflation, about half of all families are satisfied with their present and prospective incomes, and a majority of people feel financially secure.

3. Most consumers believe that inflation, the cold war, and the Korean war were harmful to the American economy and the general economic welfare.

Some other conclusions which may be drawn from this survey:

As greater stability develops in the cost of living and business conditions people become less hesitant and more optimistic about buying conditions. Stable and even slightly declining prices are seen by many as stimulating consumer demand and higher employment.

Long-term expectations of price increases or declines probably have a greater effect on consumers' immediate purchases of durable items than do expected short-term price changes.

Consumers are less sophisticated about the effects of inflation on their savings than they are with regard to its effect on prices.

* Reported in *Consumer Attitudes and Demand*, By George Katona and Eva Mueller. Survey Research Center, University of Michigan, Ann Arbor, Mich. 1953. 119 pages. $1.50.

—*Industrial Distribution* 11/53

Also Recommended • • •

FINANCIAL WORLD SHAREHOLDER RELATIONS MANUAL. Edited by Weston Smith. (Guenther Publishing Corporation, 86 Trinity Place, New York 6, N. Y.), 1953. $1.00. Techniques of making up, timing, distributing, and advertising annual reports and of improving shareholder relations by other means are discussed in this guide. Results of a competition for meritorious annual reports are also announced.

PAPERWORK CONTROL: NEEDED IN THE PROFIT SQUEEZE. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), February, 1954. 50 cents. The planned program of paperwork control outlined here covers blank forms, procedures, and completed records; and stresses the importance, in each of these three areas, of making an inventory, correcting problems, and insuring that the problems do not reoccur.

DO YOU KNOW AN ECONOMIST WHEN YOU SEE ONE? By Lawrence E. Leamer. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), Vol. II, No. 3. 20 cents. Five rules for distinguishing the competent economist from the quack are given here, with the qualification that even among responsible practitioners there is a wide range of competence. The layman must ask, for example, whether the economist in question makes his assumptions explicit when he predicts future economic events.

HOW TO PAY FOR PENSIONS: DEPOSIT A FIXED PERCENTAGE OF COMPANY PROFITS. By Hilary L. Seal. *The Controller* (73 Main Street, Brattleboro, Vt.), February, 1954. 50 cents. Outlines in detail a method whereby a company can pay for pensions by contributing to a trust fund a fixed percentage of its profits—based on an analysis of the long-range relationship

of its profits to payroll. By building up a cushion of overpayments in good years, the company can skip contributions altogether in years of low profits or losses.

THERE ARE LOTS OF WAYS TO BUY STOCK. *Business Week* (330 West 42 Street, New York 36, N. Y.), January 23, 1954. 25 cents. Many avenues to stock ownership are now open to small investors. Prominent among these are the open- or closed-end investment companies described here, whereby the stock purchaser in effect hires the services of professional money managers. Another is the private "investment club" method whereby a group of friends or associates merge their investments (and business acumen) and manage their purchases jointly.

INVENTORY CONTROL THROUGH BUDGETED TURNOVER. By Charles H. Gleason. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), Vol. XXXV, No. 4. 75 cents. Pointing out that reduction in inventory can increase net profit, this article outlines a system of inventory control based on standard turnover rates and describes the reports which are needed to implement the system. Segregation and analysis of surplus inventory items are stressed as important features.

FINANCIAL REPORTS TO PLANT OPERATING EXECUTIVES. By Adolph G. Lurie. *The Controller* (73 Main Street, Brattleboro, Vt.), Vol. XXI, No. 12. 50 cents. Favoring the distribution of financial reports and interpretive comments to plant operating executives—from department heads on up—the author outlines the scope of the reports suitable for each group. Both statements of operational results, and of the assets for which top operating executives are responsible, should be circulated and discussed in periodic meetings for training and appraisal purposes, the author believes.

INSTALLMENT BUYING—WHERE IS IT LEADING US? *Challenge Magazine* (32 Broadway, New York 4, N. Y.), December, 1953. 20 cents. While conservative lending interests are bent on retaining, and in some cases tightening, present limitations on consumer credit, durable goods manufacturers and retailers are pressing for more liberal credit policies in the interests of stimulating business. This article examines the function of consumer credit as one of the most sensitive factors influencing the national economy and appraises some of the arguments for and against an expansion of consumer credit at this time.

INVENTORY CONTROL THROUGH COMMODITY STANDARDS. By Marshall H. Osburn. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), Vol. XXXV, No. 4. 75 cents. This case study outlines a procedure for establishing commodity standards to control and reduce inventories, save on order quantities, and get more economical quantity discounts. This type of control program has enabled one company, for example, to reduce inventory at least 30 per cent and to decrease ad valorem taxes, storage and handling costs, and losses caused by deterioration and obsolescence of materials.

BIGGEST DEBT IN THE WORLD. By George Cline Smith. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), February, 1954. 60 cents. Before the national debt can be reduced, or redistributed to include a larger proportion of long-term rather than short-term obligations, its steady upward climb must be stopped by balancing the budget, this author states. Substantial cuts in government spending rather than boosts in taxes are the logical step in this direction, he believes.

AN INDICTMENT OF THE ACCOUNTING PROFESSION FOR FAILING TO DEAL WITH EFFECTS OF INFLATION. By Maurice E. Peloubet. *The Journal of Accountancy* (20th and Northampton Streets, Easton, Penna.), Vol. 96, No. 6. 75 cents. Except for giving its support to the LIFO inventory method, the accounting profession in general has not lived up to its opportunities to protect business capital against the changing value of the dollar, this writer states. He particularly recommends the sale-lease back of capital assets to put depreciable property and depreciation on a current basis.

NEEDED: BROADER AND HIGHER HEALTH BENEFITS

IN 1953, the most prosperous year in U. S. history, some 3.5 million families found themselves in serious financial straits. The cause was the high cost of sickness, which for those American families ran between 20 per cent and more than 100 per cent of their annual income. For industry, sickness is also costly. Some 500 million man-days are lost each year because of injuries and illnesses. The total loss in wages: $9 billion.

On top of that, efficiency and morale of workers are often low because of their worry over how they will pay doctor and hospital bills. Says Eastman Kodak's Industrial Relations Director Craig Cochrane, whose company has one of industry's most complete health insurance plans: "Broadly speaking, in addition to the human considerations, we feel that people do their work more effectively when they are relieved of worry and anxiety. Medical care may be delayed if they haven't the money to pay for it. But with prompt medical care they will recover more quickly, lose less time."

Many companies already have preventive programs that call for periodic examinations, and over the past 15 years much has been accomplished in the way of voluntary insurance plans, paid for by the company alone or with the help of employees. In 1939, only a handful of U. S. workers were covered by medical insurance, as against some 32 million today. But about a fourth of U. S. industrial workers are still uncovered, and even those who are insured often get inadequate protection.

Even among such well-established plans as the non-profit Blue Cross and Blue Shield, there are shortcomings. Most group policies do not cover dependents over 18. Many do not provide benefits high enough to compensate for the soaring costs of hospitalization, and most do not provide long-term care for such diseases as polio, TB, and cancer. Another frequent weakness: if an illness runs longer than a specified time (seldom more than 120 days), benefits stop and the patient has to wait sometimes for months before they start up again. Meanwhile, he has to pay all expenses himself, just when he can least afford to.

While few people think that every family's health could or should be totally insured down to the price of the last aspirin tablet, there is still a big job to be done. One of industry's most ambitious insurance plans is California's Kaiser Foundation Health Plan. Started by Henry J. Kaiser eight years ago to cover 40,000 employees, it has spread far beyond his own companies and now covers more than 400,000 subscribers. Under the Kaiser plan, an individual subscriber pays from $4.30 to $9.50 a month. Except for such illnesses as alcoholism and mental disorders, this entitles him to free treatment (by specified doctors) in 35 institutions, including 14 hospitals. For each illness suffered, he is entitled to 111 days of hospital care in a year, including all extras.

Since it is in the major medical expenses that health insurance really counts —and where it now must often fails to

pay the bill—this is the area that many companies are now concentrating on. Led by General Electric, more than 150 companies have installed "major medical" or "catastrophe" plans to cover such diseases as cancer, TB, and other long illnesses. These plans are usually integrated with regular group medical insurance, which pays the first part of the bill. The employee pays the next $100 to $600, in somewhat the same way as he would pay for minor auto damage under a deductible policy. Anything over that (up to as much as $10,000) is paid by the insurance company. Premiums need not be prohibitive under such deductible schemes. At Sears Roebuck, dependents are excluded from the major medical plan to keep costs down, and the premium runs to only 40 cents a month.

In such ways, industry can broaden the coverage, improve the health insurance of its employees, and increase its efficiency by cutting down on many preventable illnesses. Unless companies broaden the medical coverage of their employees, the cry is sure to arise again for a government-run compulsory plan for all.

—*Time*, March 29, 1954, p. 85:1.

HOW PENSION PLANS ARE ADMINISTERED: A SURVEY OF COMPANY PRACTICES

To DISCOVER what technical procedures are involved in the administration of pension plans, the Bureau of National Affairs recently surveyed 196 representative personnel and industrial relations executives. Here are the major findings emerging from their replies:

Pension plans are in effect in 81 per cent of the larger companies represented in the survey and in 57 per cent of smaller companies. Nearly all these plans cover wage employees—in 77 per cent of larger companies and 52 per cent of smaller ones. The remaining pension plans apply only to salaried employees or to executives. At the same time, many of the plans covering wage employees also extended to salaried groups.

The majority of these pension plans are noncontributory. The picture in larger companies is as follows: noncontributory in slightly under two-thirds of companies having pension plans; contributory in slightly under one-third of companies; and a combination of both methods—that is, noncontributory below a certain level of earnings and contributory above that level—in the remaining firms. The breakdown in smaller companies is somewhat different; noncontributory in close to three-fifths of companies with pension plans, and contributory in the remaining firms. Many companies with noncontributory pension plans have, in addition, separate contributory plans for salaried and supervisory employees.

Pension plans were, as a rule, unilaterally installed, particularly in smaller companies. Pension plans were established through collective bargaining in only three out of every 10 smaller companies, and in four out of every 10 larger firms. Once established (whether unilaterally or through collective bargaining), pension plans are generally not materially affected by bargaining.

Only 8 per cent of both larger and smaller companies with pension plans maintain them simply on a pay-as-you-go basis. In the remaining companies with pension plans, insured plans (as against non-insured plans) are found in only one-third of larger companies, but in fully one-half of smaller firms.

Insured pension plans take a number of forms. Easily the most popular among both larger and smaller companies is the group annuity plan. Next in popularity is deposit administration. Other variants, each used by at least one company, include: a money purchase plan; group permanent insurance plus individual policies; and a modified cash refund deferred annuity.

Funded plans which are not insured are in practically all cases either bank-administered or company-administered trusts, with the former predominating. For every company (larger or smaller) with a self-administered trust, there are five other companies with bank-administered trusts. One company, meanwhile, uses a funding procedure which combines both insured and trusteed methods.

In most companies participating in this survey, administration of the pension plan remains entirely within the province of management. This holds true for two-thirds of the larger companies and four-fifths of the smaller ones. Meanwhile, in roughly one-sixth of larger companies and one-tenth of smaller ones, management administers the pension plan, but the employee or union retains the right to appeal pension decisions through the grievance machinery. In the remaining one-sixth of larger companies and one-tenth of smaller firms with plans, administration of pensions is handled jointly by the company and the union. In practically all companies where pension plans are jointly administered by company and union, the respondents report that no serious problems have arisen.

About one-half of all companies carry on some sort of program of counseling to prepare employees for retirement, the survey indicated. Such counseling involves examination and advice on the employee's financial situation after retirement, in four-fifths of both larger and smaller companies. Larger companies, while currently conducting pre-retirement counseling in about the same proportion as smaller firms, are seemingly preparing to engage in such activities on a wider scale.

Estimates by the respondents of the percentage of employees participating in voluntary counseling range all the way from 15 per cent to 100 per cent. Most of the estimates, however, are in the 75-per-cent to 100-per-cent bracket, while 100-per-cent employee participation on a voluntary basis is cited by the largest single group of personnel executives.

In over one-half of all companies, administration of pension plans covering wage employees is handled entirely by the Personnel-Industrial Relations department. In roughly another one-fourth of companies, the Personnel-Industrial Relations department shares this responsibility with another department (such as Accounting, Finance, Insurance, and Legal), or with an executive (such as the Treasurer or Office Manager). A separate Pension Department, specifically designed as such, is only found in a few larger companies (between 5 and 10 per cent). By and large, the same departments handling pension plans for wage employees are responsible for the administration of plans covering salaried groups.

The executives were asked the following question: "In a multi-plant organiza-

tion, is it better to have a pension plan administered at the local plant, or from the central office?" The answers indicate that personnel executives are evenly divided on this point—one-half favor local administration, the other half prefer central office handling.

Advocates of administration at the local plant see two definite advantages in this approach. First and foremost, personal contact between employee and management is maintained. Second, on-the-spot administration eliminates red tape and speeds action on pension matters.

Meanwhile, proponents of central administration cite a number of advantages in this method: uniform application of provisions; ease of control through simplified bookkeeping; lower costs; ability to use pension specialists; and an over-all view of future requirements.

Insured pension plans are preferable in smaller companies, while trusteed plans are preferable in larger companies, three-fourths of the respondents believed. In general, they feel that smaller companies are usually not equipped to set up and run trusteed plans; they lack the initial capital required, as well as a staff large enough and sufficiently expert in pension matters. Also, payments are guaranteed under an insured plan, and hence the risk is minimized for smaller companies; larger firms, meanwhile, can sustain a trusteed fund large enough to be diversified and yet give a high return.

—*Administration of Pension Plans: Personnel Policies Forum No. 21* (Bureau of National Affairs, Inc.).

A New Kind of Salesmen's Pension Plan

A SALESMEN'S retirement plan that is believed to be the first of its kind has been announced by the Holeproof Hosiery Company, Milwaukee, Wisc.

Traveling salesmen employed by mercantile houses have only recently been included under the Federal Insurance Contributions Act. Although they are eligible to receive social security benefits, their contributions are made individually rather than by payroll deduction, and their employers do not contribute.

All members of the sales force who have been employed by the company continuously for two years are eligible to participate in Holeproof's retirement program, which was developed in cooperation with a New York life insurance company.

Retirement income at 65 is provided for all salesmen who have been enrolled under the plan for a minimum of 10 years. When he reaches retirement age, the salesman may elect to receive a lump-sum benefit or retire and receive a monthly income for the balance of his lifetime. A salesman who wishes to continue work after 65 may exercise his option of receiving the lump-sum payment or the monthly income whether or not he continues to be active.

If a participant dies before 10 years of retirement has elapsed, the balance of the 10 years of payments will be made to his beneficiaries. If he dies before retirement age, a minimum death benefit will be paid to his beneficiaries. The insurance is automatic for all salesmen and no physical examination is required.

Each man has the option to set up an income plan instead of a lump-sum payment to beneficiaries. The family may elect to receive the income to run for 5, 10, 15 or 20 years.

The plan, costs of which are being shared equally by the company and participating salesmen, will be administered by three trustees.

MEETING THE COST OF PROLONGED ILLNESS

QUITE APART from their cost to the worker, industrial absences due to non-occupational disability pose a serious problem to employers. Yet until recently, few definite figures have been available on the medical care costs and wage losses involved in these absences, or on the extent to which such costs are met by employee benefit plans and other medical care insurance.

A progress report on a nation-wide study currently being conducted by the Research Council for Economic Security reveals some important new facts on non-occupational illness costs. It is based on investigation of a group of 1,212 absences lasting more than four weeks and caused by non-occupational disabilities.

The workers whose absences were studied were employed in 32 establishments with a total employment of 63,195. In all of the 32 establishments, some form of group plan was in effect that covered all or part of the costs of hospitalization. In all but one, group plans paid benefits toward the cost of surgery. Group plans providing payments for certain physicians' fees other than surgery were in effect in 19 establishments.

No benefits were reported as having been paid for 279 absences, 23 per cent of the total.

The largest proportion of the 1,212 absences, 39.5 per cent, received both hospital and surgical benefits. Hospital benefits only were paid for 16.3 per cent of the absences. A smaller group, 11 per cent, received hospital and medical benefits. About 4 per cent received all three types of benefits, hospital, surgical, and medical. Another 6 per cent received only medical or surgical benefits.

Benefits paid under the group hospitalization plans met 80 per cent of the total gross hospital charges reported. Benefits paid under the plans covering surgical fees met 62 per cent of the total surgical charges reported. In contrast, the plans providing benefits for physicians' fees met only 13 per cent of the total charges reported.

Although there was some kind of group medical care plan in every one of the 32 establishments included in this report, 25 per cent of the workers reported that they held medical care insurance outside the group plans.

The net cost of each absence, over and above insurance benefits paid, totaled more than $300 for only 140 of the absences. More than half of the absences, 725, had net costs of less than $100.

There was, however, a substantial group, 347 absences, with net costs ranging from $100 to $299. Among those who had annual earnings of less than $3,500, there were 216 of these absences.

To these medical costs must be added the wage loss incurred. Among the 32 establishments included in this report, 29 had sickness compensation programs. Formal paid sick-leave programs were in effect in 25 of the establishments, and another four had informal arrangements providing paid sick leave. Not all of the programs, however, covered all workers; more than half of the paid sick-leave programs were confined to salaried employees. Benefits under sickness compensation ranged from a low of $15 per week to a high of $60.

In more than half of the absences, compensation met less than 50 per cent of the wages that presumably would have been earned had the worker not been absent. The largest group, 547 absences, indicate wage losses, in addition to the medical costs, ranging between 50 and 74 per cent of the wages that would normally have been earned.

Savings that had been put aside for some special purpose, such as the purchase of a house, car, or major household appliance, are reported as having been used to meet the medical costs not covered by insurance in 37 per cent of the absences. Twenty-seven per cent reported the use of credit; a little over 2 per cent of the group sold property or belongings to meet the medical costs; and in 3 per cent of the absences, a previously non-employed member of the household went to work. Financial assistance from sources outside of the family, such as a private or public welfare agency, was checked by almost 4 per cent. About one-third of these received assistance from a company-sponsored welfare or aid fund.

—*Nature of Illness and Cost of 1212 Prolonged Absences, 1952-53.* Publication No. 98, Research Council for Economic Security (111 West Jackson Boulevard, Chicago 4, Ill.), 1954.

Also Recommended • • •

VARIETY—THE SPICE OF GROUP LIFE INSURANCE. By Nathaniel B. Taft. *The Spectator.* (Chestnut and 56th Streets, Philadelphia 39, Penna.), March, 1954. 50 cents. Summarized here are the salient features of the following forms of group life insurance: term, group permanent, wholesale life, pension trust, and group accidental death and dismemberment insurance plans. Inexpensive mass coverage is best achieved through group term insurance, the author states, outlining three types of plan in this category which cover employees, employees' dependents, and debtors, respectively.

A NEW APPROACH TO LIFE INSURANCE. *Management Methods* (141 East 44 Street, New York 17, N. Y.), January, 1954. 50 cents. For enterprises which need more life insurance for their executives but are deterred by cost considerations, a plan is here proposed which allows the premiums to be paid by loan instead of from capital. The plan has the advantage of freeing for other investment purposes the difference between the required premium and the net interest due on the loan.

PENSION PLANS FOR SMALL ENTERPRISES. By Thomas A. Meaney. *The New York Certified Public Accountant* (677 Fifth Avenue, New York 22, N. Y.), Vol. XXIII, No. 12. 50 cents. After considering the risks involved in informal pension planning, this paper outlines various types of insured and non-insured plans. Among the advantages of insured plans for smaller companies is the fact that they remove the mortality risk from the employer and provide him with a rate of investment based on the total assets of the insurance company. The article further comments on recent improvements in actuarial tables.

ANNOUNCE ACCOUNTS RECEIVABLE AND VALUABLE PAPERS AND RECORDS POLICY. *The Eastern Underwriter* (93-99 Nassau Street, New York 38, N. Y.), March 12, 1954. 25 cents. Described here are new policies for accounts receivable and valuable papers and records worked out cooperatively by both casualty companies and inland marine underwriters to standardize coverage. Some of the manual rules and rates of the casualty companies have also been revised.

THE PEOPLE WHO GET HURT. By Gerald Gordon, M.D. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), February, 1954. 75 cents. Citing the findings of a number of studies on accident repeaters, a DuPont staff psychiatrist points out that the worker with a rapidly accumulating accident record is likely to be suffering from some form of mental illness—which is prevalent in mild (and often curable) forms throughout industry. Such a record should serve as a warning to the industrial nurse and safety director, he asserts.

Book Notes

[Please order books directly from publishers]

WORKING HARMONY: A SUMMARY OF THE COLLECTIVE BARGAINING RELATIONSHIPS IN 18 COMPANIES. By Frederick H. Harbison and John R. Coleman. *Causes of Industrial Peace, Case Study No. 13.* National Planning Association, 1606 New Hampshire Avenue, Washington 9, D. C. 1953. 64 pages. $1.00. This study of union-management relationships in a group of companies corroborates evidence found in more detailed studies of single companies that "working harmony" can develop in environments where external factors may not seem conducive to industrial peace. In each case, it is the internal factors—the attitudes and policies of management and of the union members—that are more important; as the authors point out, both parties have learned how to advance their basic interests while making political and economic compromises where necessary.

INTRODUCTION TO COLLECTIVE BARGAINING. By Domenico Gagliardo. Harper & Brothers, New York, 1953. 590 pages. $6.00. After tracing the institutional and legal framework of collective bargaining—the history of unions, employers' associations, and the Taft-Hartley Act—this introductory text discusses the principal provisions of existing collective agreements. Most of the examples cited are drawn from the U. S. Bureau of Labor Statistics' compilation of contract provisions. The book concludes with a discussion of the economic and political aspects of collective bargaining, such as wages, hours, employment, and the relation between collective bargaining and capitalism.

SELECTING AN OCCUPATION. By Charles A. Prosser and Calvin S. Sifferd. McKnight & McKnight, Bloomington, Ill. 1953. 246 pages. $2.50. This text describes briefly the requirements and opportunities presented by various occupations, describes over-all employment trends, and advises students on mental and physical fitness and the practical aspects of getting and holding a job. Chapters are included on fulfilling the educational requirements of various occupations and on improving the ability to read, spell, study, etc., in preparation for jobs.

DIRECTORY OF INSTITUTIONAL INVESTORS OF THE UNITED STATES AND CANADA, 1954 EDITION. Fiduciary Publishers, Inc., 50 East 42 Street, New York 17, N. Y. 1954. 146 pages. $10. Lists over 4,000 institutional investors in the following categories: trust departments, commercial and savings banks, life insurance companies, casualty insurance companies, fire insurance companies, investment companies, university endowments, and foundations and charities. The value of investment portfolios is indicated wherever this information is available, with the name of the officer in charge. This directory should prove of value to corporations interested in bringing facts about their financial progress to the attention of pension and institutional investors, as well as to investment houses and managers.

4 CASE STUDIES OF NEGRO EMPLOYMENT IN THE UPPER SOUTH. By Donald Dewey. *Case Study No. 2, Selected Studies of Negro Employment in the South.* National Planning Association, Washington, D. C., October, 1953. 212 pages. $1.25. This study reflects the 1950-51 employment practices of a cross section of Durham (N. C.) companies; tobacco manufacturing plants in the upper South; textile mills in North Carolina, South Carolina, and Virginia; and manufacturing plants in South Carolina. The following general conclusions are reached: 1) Negroes are totally excluded from white-collar employment and scarcely have a toe-hold in supervisory jobs. 2) The mixed work group is uncommon. 3) The racial division of labor has been remarkably stable over a long period. 4) White and Negro workers who do perform the same jobs in the same plant receive the same pay and fringe benefits. 5) Other changes reported in the racial employment pattern were all instances in which Negro workers had been moved into jobs previously held by white workers.

TECHNIQUES OF PLANT MAINTENANCE AND ENGINEERING 1953. ***Proceedings of the Technical Sessions sponsored by the American Society of Mechanical Engineers and the Society for the Advancement of Management, Cleveland, 1953.*** Clapp & Poliak, Inc., 341 Madison Avenue, New York 17, N. Y. 288 pages. $6.00. Opening with a panel discussion of maintenance essentials, this volume contains a number of papers and reports of round-table discussions on plant engineering and maintenance in companies of various sizes and industrial groups. Other sessions reported here cover such matters as area versus centralized maintenance, dealing with union labor, incentives and work measurement, lighting, lubrication, pumps and piping, project control, sanitation, and selling management on the maintenance program.

RETIREMENT INCOME PLANS FOR OUTSIDE SALESMEN. By H. H. Maynard and Phillip McVey. National Sales Executives, 136 East 57 Street, New York 22, N. Y., 1953. 64 pages. $2.00. This summary of a questionnaire survey conducted by National Sales Executives and the Bureau of Business Research, Ohio State University, covers: the sponsorship of salesmen's pensions; characteristics of the sales forces covered; the relation of pension plans to sales personnel policies; the relation of salesmen to other employees in eligibility for pensions and other benefit plans; special provisions of the pension plans; financing contributions and benefits; effects of pensions on sales forces; and administrative practices and costs. Included in the survey are 508 firms employing 56,000 salesmen; slightly less than half offer pensions to their sales forces. (A digest of highlights and conclusions of the survey appears elsewhere in this issue.)

A STUDY OF CONTRASTS IN INDUSTRIAL RELATIONS. By Irene M. Chambers. Prince School of Retailing, Simmons College, 49 Commonwealth Avenue, Boston, Mass., September, 1953. 44 pages. 50 cents. This study deals largely with profit sharing and contains an excellent bibliography on the subject. The author believes that the key to harmonious labor-management relations is mutual concern for the prosperity of the business as a whole and that profit sharing is the tool most likely to instill employees with this concern. The subject is introduced by a review of the general tenets of those who favor the partnership of capital, management, and labor and those who feel that these forces are irreconcilable.

PROFESSIONAL ENGINEERS' INCOME AND SALARY SURVEY. National Society of Professional Engineers, 1121 Fifteenth Street, N. W., Washington 5, D. C., 1953. 27 pages. $1.00. Over 12,000 engineers were covered in this survey of 1952 earnings by region, years of experience, engineering branch, field of employment, grade, and type of work. Considerable difference was found in the earnings of various branches, and a decided income advantage for engineers in the Middle Atlantic and New England regions. The highest paid types of work were found to be executive-administrative work and sales work; the lowest paid were design, construction supervision, and teaching.

SALES KNOW-HOW. By Robert A. Gopel. Printers' Ink Publishing Company, Inc., 205 East 42 Street, New York 17, N. Y., 1954. 62 pages. $2.00. This booklet covers the following subjects: planning daily sales activities, examining your own personality, getting attention and interest, knowing different types of customers, learning the benefits of the product, motivating customers, answering objections, planning a sales talk, asking for an order, and selling by phone and correspondence. A list of review questions follows each chapter.

SCIENTIFIC RESEARCH AND DEVELOPMENT IN AMERICAN INDUSTRY. ***Bulletin No. 1148,*** Bureau of Labor Statistics, U. S. Department of Labor (in cooperation with the Department of Defense). Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 1953. 106 pages. 50 cents. This report on a survey of the engineering and research manpower and costs of nearly 2,000 private companies and non-profit research agencies (other than colleges and universities) covers: the number of research engineers and scientists employed on both government and non-government work; the employment of supporting personnel; the cost of research performed on government prime contracts and subcontracts and under company sponsorship; the relationship of research cost to value of sales; the average cost of research per employee, on government-financed and company-financed projects; turnover rates among research engineers and scientists; and the past and potential effects of military service of such employees.

Experience to Share on

Publications Received

[Please order directly from publishers]

CAPITALISM AND THE HISTORIANS. Edited by F. A. Hayek. The University of Chicago Press, Chicago, 1954. 188 pages. $3.00.

COMPENSATING EMPLOYEES, Including a Manual of Procedures on Job Evaluation and Merit Rating. By Eugene J. Benge. National Foremen's Institute, Inc., New London, Conn. Revised Edition, 1953. 136 pages. $7.50.

MONEY, DEBT, AND ECONOMIC ACTIVITY. By Albert Gailord Hart. Prentice-Hall, Inc., New York, 1953. Second edition. 540 pages. $9.00.

EMPLOYEE REMUNERATION AND INCENTIVES. Published by The Institute of Cost and Works Accountants Limited, 63 Portland Place, London, W.1, England, 1954. Distributed by Gee & Co. Ltd., 27/28 Basinghall Street, London, E. C. 2. 71 pages. $1.10.

UNION SECURITY. By Orme W. Phelps. Institute of Industrial Relations, University of California, Los Angeles 24, Calif. 1953. 57 pages. 25 cents.

FOURTEENTH ANNUAL REPORT OF STOCKHOLDERS ACTIVITIES AT CORPORATION MEETINGS: 1953. Published by Lewis D. Gilbert and John J. Gilbert, 1165 Park Avenue, New York, N. Y. 156 pages. $1.00.

IMPROVING SOCIAL SECURITY: *An analysis of the present Federal Security Program for the aged . . . and the proposal of the Chamber of Commerce of the United States.* Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C. 1953. 128 pages. $2.00.

GUIDE TO PERSONNEL ACTIVITIES OF PROFESSIONAL AND TECHNICAL ASSOCIATIONS: By Dorothy W. Otten. Civil Service Assembly, 1313 East 60 Street, Chicago 37, Ill. 1953. 56 pages. $2.00.

THE TEXACO STORY: *The First Fifty Years—1902-1952.* By Marquis James. Public Relations Department, The Texas Company, 135 E. 42 Street, New York 17, N. Y. 1953. 118 pages. Gratis.

SECRETS OF CLOSING SALES. By Charles B. Roth. Prentice-Hall, Inc., New York, 1953. Third edition. 232 pages. $3.95.

AVIATION FACTS AND FIGURES: 1953. Edited by Rudolf Modley and Thomas J. Cawley. Lincoln Press, Inc., 511 11th Street, N. W., Washington 4, D. C. 1953. 224 pages. $5.00.

THE AMERICAN WAY: *The Economic Basis of Our Civilization.* By Shepard B. Clough. Thomas Y. Crowell Company, 432 Fourth Avenue, New York 16, N. Y. 1953. 246 pages. $4.00.

COMMODITY YEAR BOOK: 1953. Edited by Harry Jiler, et al. Prepared and published by Commodity Research Bureau, 82 Beaver Street, New York 5, N. Y. 1953. 374 pages. $10.00.

YOUR SUCCESS DEPENDS UPON YOU: *The Science of Interpersonal Relations.* By Rush H. Pearson. Available from the author at Montgomery 2, Ala. 1953. 187 pages. $5.00.

PENSION PLANS UNDER COLLECTIVE BARGAINING: *Vested Rights—Compulsory Retirement—Types and Amounts of Benefits.* Bulletin No. 1147, United States Department of Labor. Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 23 pages. 20 cents.

RESOURCES AND THE AMERICAN DREAM: *Including a Theory of the Limit of Growth.* By Samuel H. Ordway, Jr. The Ronald Press Company, New York, 1953. 55 pages. $2.00.

EUROPEAN IMPRESSIONS OF THE AMERICAN WORKER. By Robert W. Smuts. Columbia University Press, New York, 1953. 62 pages. $1.50.

COURTESY IN PUBLIC SERVICE: *Why, Where, and How to Come By It.* By Frederick A. Woodward. Exposition Press, 386 Fourth Avenue, New York 16, N. Y. 1954. 39 pages. $2.25.

Ten Commandments of Safety

FOR SUPERVISORS

Your job in management places you in a unique position of trust. For not only does the company rely on you, as the direct representative of management, to apply its policies wisely and fairly; also entrusted to you is the obligation to safeguard the well-being of the workers in your charge. No responsibility transcends this in importance. In this respect your job is akin to the "stewardship" of biblical days: As a supervisor, you are indeed your brother's keeper.

On-the-job accidents represent a serious threat to the physical well-being of your men. Their prevention calls for your constant vigilance. Therefore, if you would guide your men safely through their daily work, be yourself guided by these precepts:

1. You are a supervisor and thus, in a sense, have two families. *Care* for your people at work as you would care for your people at home. Be sure each of your men understands and accepts his personal responsibility for safety.

2. *Know* the rules of safety that apply to the work you supervise. Never let it be said that one of your men was injured because you were not aware of the precautions required on his job.

3. *Anticipate* the risks that may arise from changes in equipment or methods. Make use of the expert safety advice that is available to help you guard against such new hazards.

4. Encourage your men to *discuss* with you the hazards of their work. No job should proceed where a question of safety remains unanswered. When you are receptive to the ideas of your workers, you tap a source of first-hand knowledge that will help you prevent needless loss and suffering.

5. *Instruct* your men to work safely, as you would guide and counsel your family at home —with persistence and patience.

6. *Follow up* your instructions consistently. See to it that workers make use of the safeguards provided them. If necessary, enforce safety rules by disciplinary action. Do not fail the company, which has sanctioned these rules—or your workers, who need them.

7. *Set a good example.* Demonstrate safety in your own work habits and personal conduct. Do not appear as a hypocrite in the eyes of your men.

8. *Investigate and analyze* every accident—however slight—that befalls any of your men. Where minor injuries go unheeded, crippling accidents may later strike.

9. *Cooperate* fully with those in the organization who are actively concerned with employee safety. Their dedicated purpose is to keep your men fully able and on the job and to cut down the heavy personal toll of accidents.

10. *Remember:* Not only does accident prevention reduce human suffering and loss; from the practical viewpoint, it is no more than good business. Safety, therefore, is one of your prime obligations—to your company, your fellow managers, and your fellow man.

By leading your men into "thinking safety" as well as working safely day by day, you will win their loyal support and cooperation. More than that, you will gain in personal stature. Good men do good work for a good leader.

Note: Copies of AMA's "Ten Commandments of Safety," suitable for framing (in two colors, size 9" by 12", on deckle-edge stock) may be obtained from the Association's headquarters at the following prices: single copy, 25¢; 2-24 copies, 18¢; 25-49 copies, 15¢; 50-99 copies, 12¢; 100-499 copies, 11¢; 500-999 copies, 10¢; 1,000 copies and over, 9½¢.

(Orders under $5.00 should be accompanied by remittances. Sales tax should be included in remittances for New York City orders.)

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